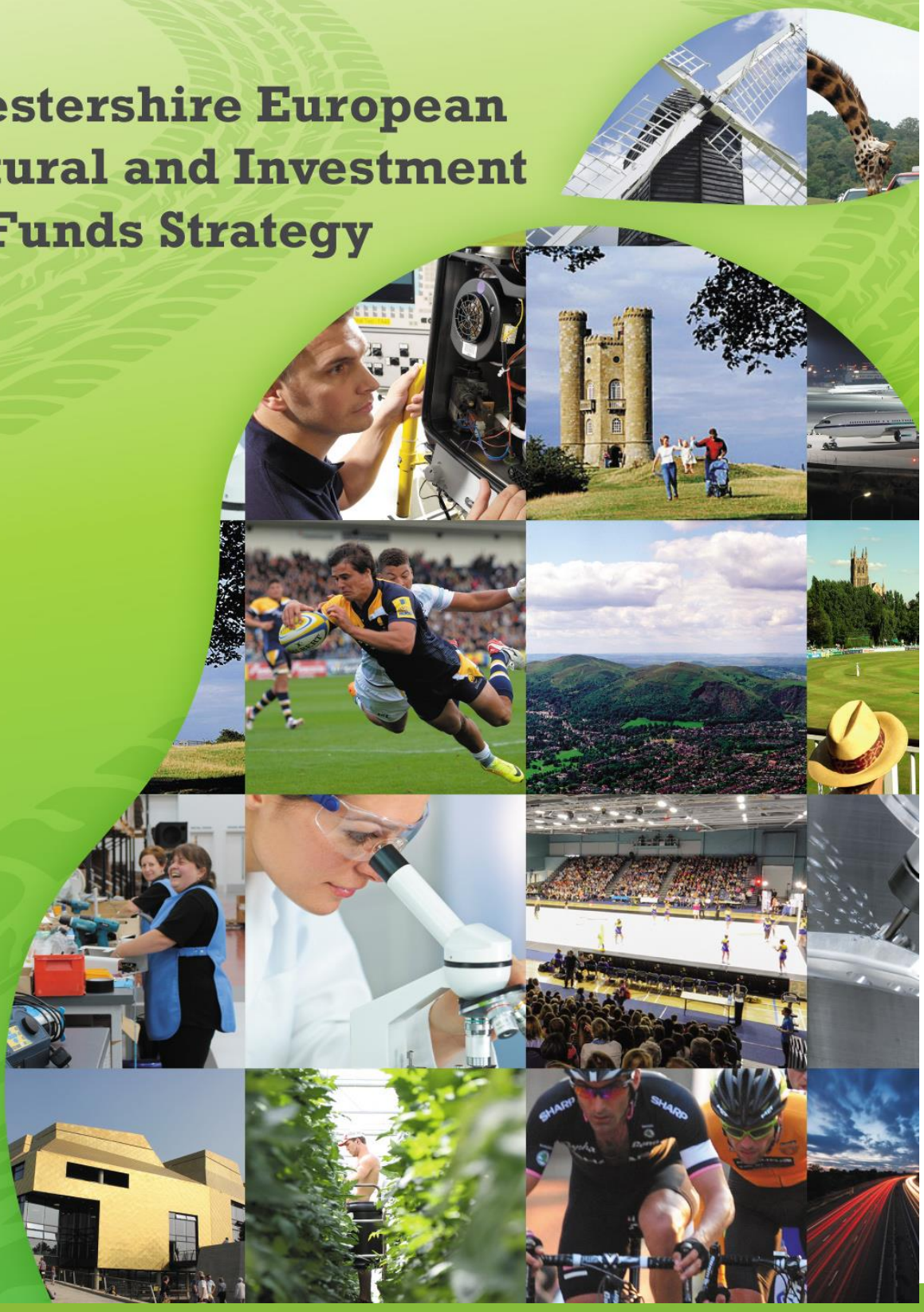
Worcestershire
Local Enterprise Partnership

Driving
Worcestershire
Forward

Worcestershire European Structural and Investment (ESI) Funds Strategy



February 2016 Update

The Worcestershire European Structural Investment Fund (ESIF) Strategy was originally approved in January 2014. Since then, the UK Government has been in continual negotiations with the European Commission regarding all UK Operational Programmes which were finally agreed in Autumn 2015. The UK Government issued Guidance simultaneously requesting that all LEP Area ESIF Strategies be subject to a light-touch refresh and updated in accordance with national changes.

The Worcestershire strategic framework of vision, ambition, objectives, principles, priority sectors and direction remains at the core of the ESIF Strategy and the corresponding Worcestershire Strategic Economic Plan. The ESIF Strategy is pivotal in framing European funding to secure effective local programme and project delivery against local priority axes, outputs and targets which respond to local needs in Worcestershire. In parallel, the ESIF Strategy aligns with the confirmed national European Regional Development Fund (ERDF), European Social Fund (ESF) and European Agricultural Fund for Rural Development (EAFRD - Rural Development) Operational Programmes, all of which deliver against a series of national Priority Axes, Investment Priorities, outputs and targets .

The Worcestershire Local Enterprise Partnership (WLEP) monitors constantly the underlying local-to-national economic evidence, forecast and trends to ensure that the strategic ambition and priorities and its model for co-ordinated delivery are all on track. The WLEP is satisfied that its established and cohesive strategic ambition and delivery framework remains extremely relevant and has therefore made limited and essential changes to the ESIF Strategy to accord with the UK Government's national position. A full joint review of the ESIF Strategy and Strategic Economic Plan will be conducted as originally planned at the mid-term point in 2017.

This February 2016 edition of the Worcestershire ESIF Strategy comprises changes to:

- reflect the twice-yearly recalculation of the notional LEP Area EU funding allocations due to the fluctuating Euro/Sterling Exchange Rate (as at January 2016)

- reflect the final output targets confirmed by the UK Government for the Worcestershire LEP area as a balance between the local ESIF Strategy and its contribution to national delivery of Operational Programmes; and which will provide the basis for performance management

Worcestershire's top priority focus remains the achievement of tangible delivery and beneficial impact on the local economy. The WLEP remains committed to nurturing and developing robust projects and proposals and establishing solid delivery pipelines in order to realise the ESIF Strategy's ambitions. The WLEP and its wide ranging partners across local-to-national business, public and third sectors are demonstrating already that Worcestershire can deliver strong growth solutions successfully and realise its positive reputation for increasing productivity and growth.

Gary Woodman
Executive Director, Worcestershire Local Enterprise Partnership
February 2016

Foreword

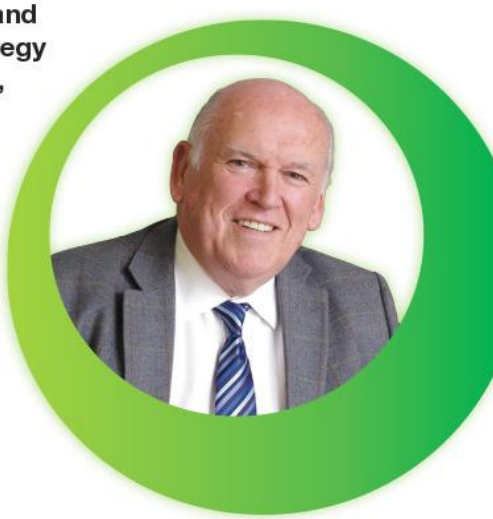
This European Structural and Investment Funds Strategy (ESIF) is of critical importance to securing future economic success and fuller employment across the county of Worcestershire.

Worcestershire has many factors in its favour: a central location and excellent transport infrastructure, a wide choice of readily available employment and housing development sites, a motivated and highly skilled workforce, and existing industry strengths, particularly in engineering and manufacturing, cyber security, defence and agri-foods. We are also blessed with a wonderful environment in which to live, top class education options and a rich historic, cultural and sporting heritage that attracts visitors in their droves.

Yet for many years the county has punched well below its weight in terms of Gross Value Added performance and productivity, and it has failed to promote itself proactively. For example, when compared with other LEPs, Worcestershire has the fifth highest proportion of its workforce based in manufacturing, yet it has failed to attract the levels of direct investment that one would expect.

This ESIF addresses this and other socio-economic conditions and suggests a strategic approach that will provide the catalyst for economic growth in Worcestershire. In compiling the ESIF, we have undertaken an extensive engagement process that has involved working with partners in Worcestershire County Council and the six District Councils, the LEP Board and its Business Board, various thematic sub-groups and a Task and Finish Group. We have also collaborated with neighbouring and other LEPs and consulted with many social enterprise groups.

The LEP's role has been to act as a facilitator for this process. By listening to the needs of Worcestershire from many and varied viewpoints, we have developed a European Structural and Investment Funds Strategy that is robust, inclusive, credible and practical. Its impact will be to boost the economy and to create jobs for the county of Worcestershire for many years to come. We look forward to its delivery.



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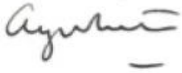
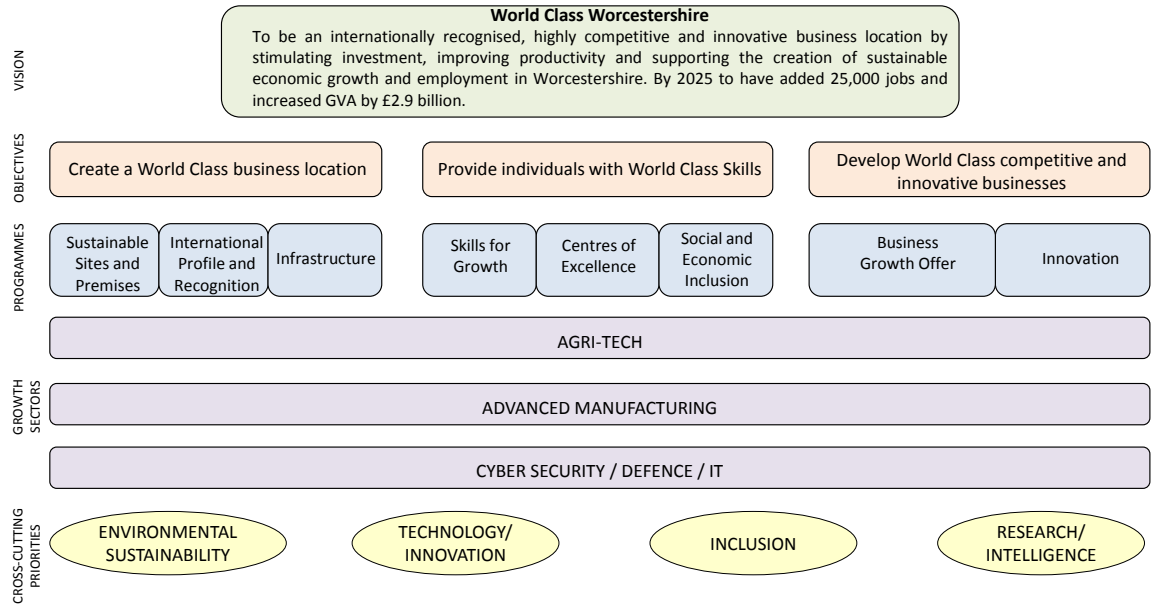


Executive Summary

Worcestershire and its economy has been 'punching below its weight' and by implementing its Strategic Economic Plan (SEP) and this European Structural and Investment (ESI) Funds Strategy (or the Strategy), the Worcestershire Local Enterprise Partnership (WLEP) is determined to change that with the support of all of its partners. The Worcestershire economy has significant opportunities and by removing the barriers that are preventing businesses from investing, its economy can grow more rapidly and make an increasingly important contribution to the national economy.

WLEP has made substantial progress in developing and implementing its first Business Plan ("The Outlook is Bright in Worcestershire", November 2012). The SEP sets out an ambitious vision to grow the local economy by 2025 by over 25,000 jobs and to increase Gross Value Added (GVA) by £2.9 billion (see Figure 1). Over the ESI Funds period to 2023, WLEP is aiming to add over 20,000 jobs and £2.4 billion of GVA to the Worcestershire economy.

Figure 1: SEP's vision, objectives and cross-cutting priorities



Worcestershire's particular sector strengths in advanced manufacturing, cyber security/defence/IT and Agri-tech will form an important focus for growth.

A comprehensive programme of actions, including the Growth Deal, is being developed and implemented to achieve the SEP vision. The ESI Funds programme is also a key component in delivering the SEP vision.

The ESI Funds Strategy has five priorities, which reflect the SEP and the ten European Union thematic objectives, as follows:

Enterprise

1. **SME Competitiveness**
   - Worcestershire Entrepreneurship and Business Growth Programme
   - Worcestershire Finance for Business Programme
2. **Research, Technological Development and Innovation (RTDI) and ICT**
   - Worcestershire Innovation and R&D Programme
   - Worcestershire Optimising Business ICT and Broadband Programme

Place

3. **Environment and Place**
   - Worcestershire Sustainable Places and Sites Programme
   - Worcestershire Low Carbon and Resource Efficiency Programme

People

4. **Skills**
   - Worcestershire Skills for Growth Programme
5. **Social and Economic Inclusion**
   - Worcestershire Social Inclusion and Employment Programme

Only interventions that result in additional activity and benefits will be supported. The ESI Funds will contribute to achieving the SEP vision by, amongst other things:

- supporting more than 2,800 new and existing enterprises;
- creating some 1,500 jobs;
- assisting around 30,000 individuals to access employment, training or other support.

This Worcestershire ESI Funds Strategy is based on Worcestershire's funding allocation of £50.4 million (€70.9 million), including the European Agriculture Fund for Rural Development (EAFRD). However, the WLEP strongly believes it has the capacity and capability to bring forward further programmes and projects to meet the business needs of Worcestershire and deliver additional economic growth and jobs.

The WLEP and its partners have reviewed its current governance, delivery and performance management arrangements and is amending them to ensure that they are robust and appropriate to deliver the SEP and ESI Funds Strategy. In addition, it has agreed a protocol with Greater Birmingham and Solihull LEP on co-governance and joint working arrangements for the North Worcestershire area where their boundaries overlap.

The risks to the delivery of the ESI Funds Programme have been assessed and are considered to be low-medium. The LEP will actively monitor and manage each risk. An outline risk

management strategy has been prepared as part of this ESI Funds Strategy, which will be reviewed and updated as the SEP is further developed.

An indicative system for monitoring and evaluating performance has been outlined, but will need to be discussed and agreed with the National Growth Board and its sub-committees, the Managing Authority Departments and the Local European ESI Teams. Individual project monitoring requirements have been identified, along with a range of potential strategic outcome indicators to measure the success of the Strategy and SEP as a whole.

Contents

February 2016 Update i

Executive Summary ii

1 Introduction 1

1.1 Status of this Document 1
1.2 Overview 1
1.3 European Structural and Investment (ESI) Funds Strategy 4
1.4 Structure of the Strategy 5

2 The Local Area - Rationale for Intervention 6

2.1 Introduction 6
2.2 Socio-economic conditions and the rationale for intervention 7
2.3 SWOT analyses 25
2.4 WLEP Strategic Economic Plan 32

3 ESI Funds Priorities 41

3.1 Strategic priorities 41
3.2 Research, Development, Technology and Information (RTDI) and Information and Communication Technology (ICT) 42
3.3 SME Competitiveness 46
3.4 Environment and Place 51
3.5 Skills 55
3.6 Social and Economic Inclusion 57
3.7 Cross cutting themes: environmental sustainability and equal opportunities 59

4 Financial Allocations 63

4.1 Allocation 63
4.2 Thematic objective allocation 63
4.3 'Opt-in' model 64
4.4 Match funding 65
4.5 Financial instruments 67
4.6 Technical assistance 67
4.7 Greater Birmingham and Solihull LEP 67

5 Outputs, results and value for money 70

5.1 Introduction 70
5.2 ERDF outputs and results 70
5.3 ESF outputs and results 73
5.4 EAFRD outputs and results 75
5.5 Value for money 75
6 Governance, delivery, risk and performance management 77
6.1 Governance and delivery arrangements 77
6.2 Partner support 79
6.3 Collaboration 80
6.4 Other European Programmes 80
6.5 Risk 80
6.6 Monitoring and evaluation 85
7 Eligibility and compliance 91

Appendix A - Timeline and Engagement Programme
Appendix B - List of Consultees
Appendix C - Rationale for intervention
Appendix D - Consultation summary
Appendix E – Logic chains
Appendix F - Growth scenarios
Appendix G - Cross-cutting themes
Appendix H – Financial Engineering Instrument (FEI) Strategy
Appendix I – WLEP and GBSLEP North Worcestershire Protocol
Appendix J – Output Unit Costs
Appendix K – Fund of Funds

1 Introduction

1.1 Status of this Document

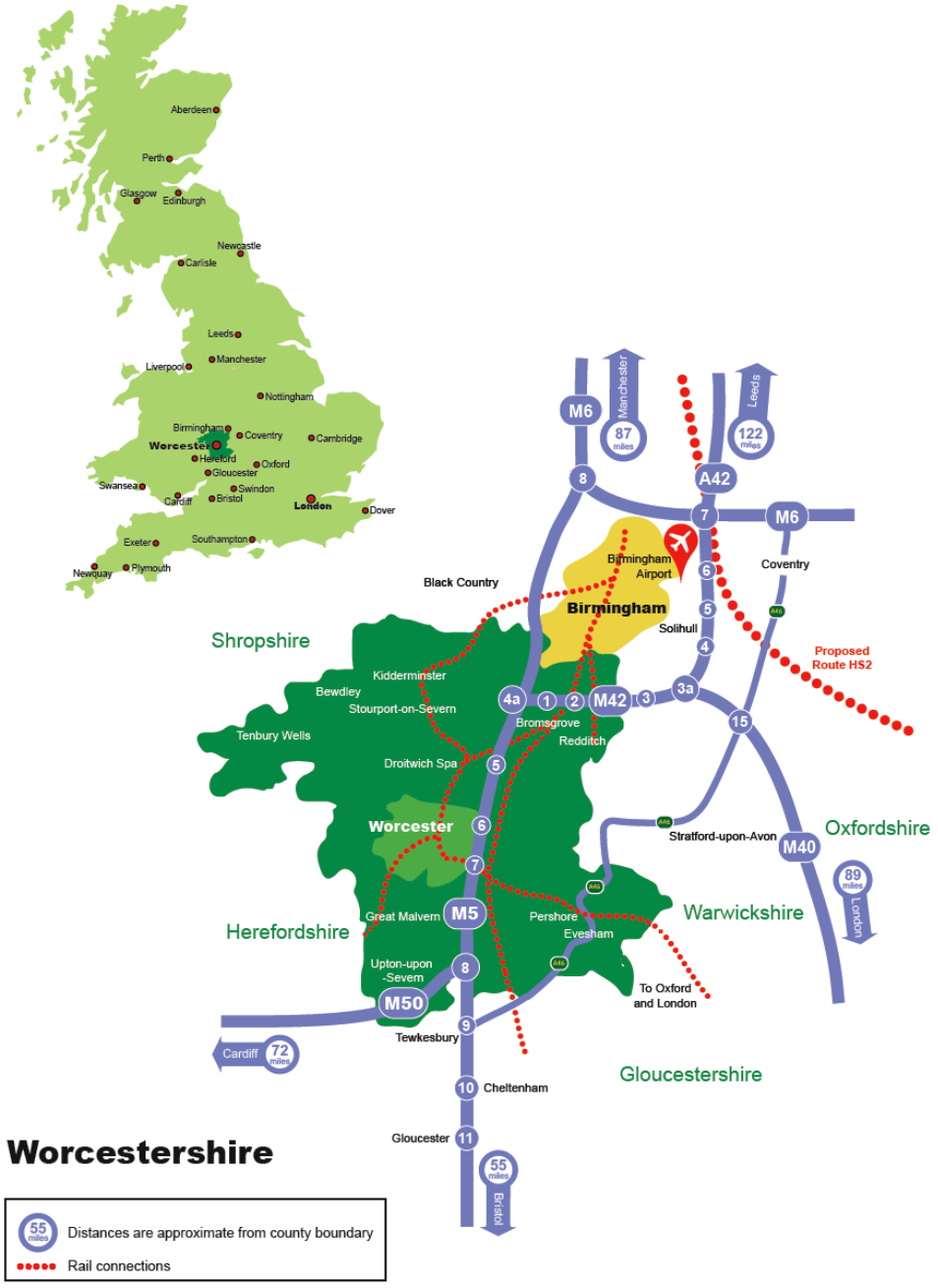
This version of the ESIF Strategy represents an update of the strategy that was submitted to the Managing Authorities in January 2014. It addresses the comments received from the Department for Communities and Local Government in March 2014. It also reflects developments in relation to Worcestershire SEP and the approval of the Operational Programmes for ERDF and ESF by the European Commission, together with the agreement of funding and targets for each of the LEP areas in January 2016.

1.2 Overview

The Worcestershire economy has substantial potential to grow rapidly and contribute increasingly to national economic growth by realising the significant opportunities in the area and removing barriers that are preventing businesses from investing.

Worcestershire is located to the south west of the West Midlands conurbation and comprises six local authority district areas: Bromsgrove, Malvern Hills, Redditch, Worcester, Wychavon and Wyre Forest (see Figure 1.1). It is largely rural by area, but over 70% of the population lives in urban areas.

Figure 1.1: Worcestershire



Worcestershire is:

An existing centre of growth. The County has had one of the highest long-term (1997-2011) growth rates in Gross Value Added (GVA) outside the Greater South East.

A leading location in terms of advanced manufacturing, agri-tech[1] and cyber security/defence/IT. Worcestershire is ranked as one of the best performing Local Enterprise Partnership (LEP) areas in terms of advanced manufacturing employment. It is also a leading location in terms of the growing cyber security sector and has a strong base of horticulture and food sector businesses. Key world class employers in these sectors include globally recognised brands and companies such as Worcester Bosch, QinetiQ, Brintons, Halfords, Npower, Kanes Foods, Yamazaki Mazak, Malvern Instruments, Morgan Motors and GKN.

A well-connected business location. Worcestershire is located at the centre of the national motorway network (M5, M42 and M50) providing access to Birmingham Airport and major cities, including Birmingham, Bristol, Oxford, Cardiff and London. It will also be accessible to HS2.

An attractive living environment and an important visitor destination. Worcestershire has an excellent living environment, which serves to attract highly skilled workers and is an important visitor destination with a number of significant historical, environmental and cultural assets, such as the Malvern Hills and the West Midland Safari Park. The County has an above average life satisfaction rating and life expectancy.

An economy with a strong base of Small and Medium-sized Enterprises (SMEs). The county has a high number of SME's and a high self-employment rate relative to its working age population. A high proportion of employment is in 'contestable' (i.e. export and import intensive) industries. In addition, Worcestershire has a relatively high level of patents per working age resident.

A growing Higher Education (HE) and Further Education (FE) location, with an excellent base of strongly performing schools. The University of Worcester is recognised as one of the fastest growing universities in the UK and is built around its core strengths of teaching, nursing and health but with rapid expansion in sciences, particularly biological sciences. The County is also home to five FE Colleges providing a range of vocational, academic and work-based provision across the county, as well as private sector training providers. In addition, Worcestershire performs strongly in terms of school age educational attainment and has excellent schools including in the private sector

Recent performance in terms of Gross Value Added (GVA) and productivity has been less good, with the local economy constrained by specific transport bottlenecks, skills and other barriers. Worcestershire Local Enterprise Partnership (WLEP) has formulated its Strategic Economic Plan

[1] For the purposes of this Strategy, the definition of the 'Agri-Food' sector is the supply chain spanning seeds, agro- chemicals, machinery, engineering, skills and other inputs including green energy, across arable and livestock agriculture, forestry horticulture, food processing, packaging and retailing.

(SEP) and this European Structural and Investment (ESI) Funds Strategy (or the Strategy) to address these constraints and realise the substantial opportunities.

Over the period 2014 to 2020, Worcestershire is set to receive support under the more developed region strand of the ESI Funds. The area has a notional allocation of European funding totalling £50.4 million (€70.9 million)[2], including the European Agriculture Fund for Rural Development (EAFRD). Worcestershire has a substantial track record in successfully delivering European funded projects either internally or in partnership with other areas in particular in the West Midlands[3]. For many of these projects, Worcestershire has been particularly successful in securing private sector match funding, which in some cases represents 90% of match funding.

Led by WLEP, the partners in Worcestershire have developed this ESI Funds Strategy to determine how these resources are to be used over the programme period. The Strategy has been formulated to be consistent with, and contribute to, the SEP, as well as the EU regulations that set out requirements for expenditure within specific thematic objectives.

The Strategy has been developed through an extensive engagement process which has included working with the WLEP Board, its Business Board, the Leaders Panel, various thematic sub-groups and a Task and Finish Group. In addition, it has been informed by a call for illustrative projects, which secured 70 project proposals. Furthermore, WLEP has collaborated with other LEPs (including Greater Birmingham and Solihull LEP in relation to North Worcestershire, where the boundaries overlap), the opt-in service providers and other organisations, including various Worcestershire networks and partnerships. Appendix A sets out details of the timeline and engagement programme and Appendix B includes a list of the organisations consulted.

1.3 European Structural and Investment (ESI) Funds Strategy

WLEP has already made substantial progress in developing and implementing its first Business Plan. It is now implementing the Worcestershire SEP. The SEP sets out an aspirational vision, with targets to grow the economy in terms of jobs and GVA above projected reference case[4] levels and to improve productivity by removing barriers to growth and realising opportunities. The ESI Funds Strategy will contribute to achieving the SEP vision, which is:

> To be an internationally recognised, highly competitive and innovative business location by stimulating investment, improving productivity and supporting the creation of sustainable economic growth and employment in Worcestershire. By 2025 to have added in total 25,000 jobs and increased GVA by £2.9 billion.

[2] As per January 2016 and based on an exchange rate of €1=£0.71 for ERDF/ESF and €1=£0.8 for EAFRD.

[3] In terms of the European Regional Development Fund (ERDF), most of the investment (around £13 million in total being delivered between 2013-2015) is largely Small and Medium sized Enterprises (SME) targeted at competitiveness and includes a business loan fund, SME advice and grants (including in relation to resource efficiency and specific sectors), business broadband optimisation, proof of concept and a SME graduate programme. With regards to the European Social Fund (ESF), Worcestershire has invested considerable amounts on supporting vulnerable Key Stage 4 (KS4) learners, those Not in Employment, Education or Training (NEETs) and adult and community learning.

[4] The reference case is what would be expected to happen without public sector intervention.

Over the ESI Funds period to 2023, the WLEP is aiming to add 20,000 jobs to the local economy and £2.4 billion in GVA by implementing the SEP and the ESI Funds Strategy.

The EU regulations for the new programme require that EU funding is used to support a number of thematic objectives: Research, Technological Development and Innovation - RTDI (Thematic Objective 1 - TO1); ICT (TO2); SME competitiveness (TO3); Low carbon (TO4); Climate change adaptation (TO5); Environmental protection (TO6); Sustainable transport (TO7); Employment (TO8); Social inclusion (TO9); and Education, Skills and Lifelong Learning (TO10). These have been grouped into five priorities, which will contribute to delivering the SEP objectives and cross-cutting priorities (which are set out in Section 2.3 below), as follows:

Enterprise

- SME Competitiveness;
- Research, Technological Development and Innovation (RTDI) and Information and Communication Technology (ICT);

Place

- Environment and Place;

People

- Skills; and
- Social and Economic Inclusion.

To help achieve its vision and in response to the additional roles and responsibilities being given to LEPs by the Government, WLEP and its partners have reviewed the current local governance, delivery and performance management arrangements.

1.4 Structure of the Strategy

The ESI Funds Strategy continues in six sections, as follows:

- Section 2 - reviews the local area and assesses the rationale and focus for intervention;
- Section 3 - describes the Worcestershire ESI Fund priorities;
- Section 4 - sets out the financial allocations, including the split between thematic objectives, details about match funding and the proposed use of technical assistance;
- Section 5 - presents the forecast outputs, results and value for money;
- Section 6 - discusses governance, delivery arrangements, risk and performance management; and
- Section 7 - sets out the approach to eligibility and compliance.

2 The Local Area - Rationale for Intervention

2.1 Introduction

An extensive analysis of the socio-economic conditions and trends in Worcestershire has been carried out in developing the Strategy[5]. Although Worcestershire's economy has significant strengths and the area offers residents a good quality of life, there remain some major challenges and barriers to growth. The mix of opportunities and challenges varies across the LEP area and the SEP and this ESI Funds Strategy have been designed to address these.

This section summarises the socio-economic conditions in Worcestershire and sets out the justification for the selection of thematic objectives and the rationale for intervention in relation to each of the selected EU thematic objectives. It also considers rural issues in order to inform the EAFRD funding component of the Strategy:

(i) Enterprise	TO1 – Research, technological development and innovation (RTDI)
	TO2 – Information and Communication Technology (ICT)
	TO3 – SME competitiveness
	TO4 - Low carbon
(ii) Place	TO5 - Climate change adaptation
	TO6 - Environmental protection
(iii) People	TO8 - Employment
	TO9 - Social inclusion
	TO10 - Education, Skills and Lifelong Learning
(iv) Rural	EAFRD funding

It then summarises the strengths, weaknesses, opportunities and threats of Worcestershire. Finally, this section sets out the vision and programmes of the SEP.

A more detailed analysis of contextual issues, including district level data, can be found in Appendix C. The local area analysis has been informed by the extensive programme of consultations. A summary of results of the consultations, which have also informed the local area analysis, are included at Appendix D.

The rationale for the Strategy is based on the development of logic chains for each of the selected EU Thematic Objective, linking context, objectives, inputs, activities, outputs and results. These are set out in Appendix E.

[5] The results of these analyses are set out in a Data Review document.

2.2 Socio-economic conditions and the rationale for intervention

2.2.1 Enterprise

(i) Research, Technological Development and Innovation (RTDI)

Worcestershire conditions:

- GVA per resident in Worcestershire in 2011 was £16,368 compared with £17,486 in the West Midlands and £21,349 in England. This represents a productivity gap of £2.8 billion (i.e. if the GVA per resident in Worcestershire was the same as in England, Worcestershire would be contributing £2.8bn more to the national economy).
- With over 5% of employment in medium-high and high-technology manufacturing, Worcestershire ranks 3rd among all of the LEP economies.
- Worcestershire has a number of emerging and developing SMEs, as well as large established companies such as GKN, Worcester Bosch, Yamazaki Mazak and Malvern Instruments, that have a primary or secondary focus on engineering and technology. This is reflected in a relatively high patent application rate (ranked 14th out of all LEPs)
- Whilst accounting for more than 42% of employment, Worcestershire has a relatively "shallow" knowledge economy in terms of services (ranked 35th among all LEPs).
- The University of Worcester is the only HEI in the county. It provides skilled labour to the economy and is one of the fastest growing universities in the country. The University is home to a number of National Research Centres including the Centre for People @ Work; Centre for Rural Research; National Pollen and Aerobiology Research Unit; and Centre for Ethical Leadership.
- Worcestershire does not currently have any centres of excellence linked to its growth sectors.

A key challenge for Worcestershire is that the productivity of the local economy overall continues to be below regional and national averages. With innovation estimated to account for up to 70% of labour productivity growth, investment in this area is required to accelerate Worcestershire's rate of economic growth.

The main market failures in this area relate to the positive externalities associated with RTDI and imperfect information failures, including lack of awareness of what support is on offer and where to go for assistance, difficulty in accessing finance to bring concepts to reality, lack of awareness of the potential benefits of RTDI and limited capacity to build relationships with universities and other research institutions. A recent survey of over 600 local businesses found that less than half had undertaken any R&D or new product development in the last 12 months. Participation in R&D or new product development is particularly low for small and micro businesses. The lack of access to finance was also identified as a constraint to business growth.

The potential for greater innovation and R&D investment in Worcestershire is particularly strong within the identified key growth sectors – cyber security/defence/IT, advanced manufacturing and agri-tech. These are well aligned to the sectors identified in the UK Industrial Strategy and correlate with the sector strengths identified in the recent Witty Review. Indeed, the Witty Review identified a strong concentration of employment in the automotive, agri-tech and life sciences sectors in Worcestershire. Importantly, a targeted approach to innovation is also aligned to the developing agri-tech smart specialisation concept.

There is currently limited collaboration between the local business community and Higher Education Institutions (HEIs)/Further Education (FE) colleges/centres of excellence leading to economic inefficiencies, particularly among small and micro businesses. There is, therefore, an opportunity to develop and exploit Worcestershire's knowledge base, particularly in terms of technology and engineering, cyber security/defence/IT and agri-tech, and to encourage greater collaboration. Notably, local partners have already been working to develop centres of excellence in the three growth sectors (cyber security/defence/IT, agri-tech and advanced manufacturing).

WLEP has worked closely to foster its relationship with the University of Worcester recognising the important focal point for growth in the local economy. This is particularly recognised with investments by the University in developing its links with the local economy, research and enterprise focus around University Park. Worcestershire also recognises that it will need to look outside of its boundaries to satisfy business needs and create a network of 'support agencies' which could stimulate and support its ambition for economic growth. With ten Universities within one hour's drive, the need to broker in the specialism and expertise from other research institutions will be important for Worcestershire's success. WLEP therefore will be looking to a virtual network of institutions to support and respond to the business need, opposed to being driven by available resources.

WLEP is also keen to broker relationships with HEFCE and TSB to support the approach to Smart Specialisation. In addition, private sector innovation in areas such as cyber security/defence/IT will be supported.

WLEP is also working with industry-led groups to assess the opportunities to establish Centres of Excellence in Worcestershire. These will be employer-needs led with a focus on training and skills with the ability to share best practice and support innovation networks. Both approaches are currently conducting feasibility studies to undertake a full analysis of needs.

The outline of our approach on the Centres will draw on the expertise of market leaders within the sectors from industry and academia and will be positioned as recognised centres of excellence in areas such as higher level apprenticeships, professional development and training, product development and innovation.

The Centres will specifically support the following key objectives:

- to develop a world class skills base and build a talent pool for the growth sectors to drive the economic opportunities;

- to integrate industry and academic expertise, research and development to create a national centre of excellence for skills development, teaching and learning within each key sector;
- to stimulate the creation and growth of businesses within each sector across Worcestershire; and
- to facilitate and encourage cross-cutting industry knowledge, innovation and capability to generate new product development and commercial opportunities in each sector.

In order to establish Centres of Excellence, they will secure significant, credible and sustained buy-in from recognised industry and academic institutions. They will also need engagement and support from Government departments and agencies, including the Technology Strategy Board (TSB).

Linked to the currently limited lack of suitable opportunities for young people, Worcestershire suffers from a significant outflow of young talent, especially graduates. Support is therefore required to allow SMEs to recruit graduates in order to enable knowledge and skills transfer to increase business innovation and performance. Importantly, this would also serve to retain young talent in the local economy.

Growth opportunities	Barriers
• Strong concentration of employment in automotive, agri-tech and life sciences. • Strong knowledge base in engineering, cyber security/defence and agri-tech. • Better collaboration with the University of Worcester and other universities/research institutions.	• Lack of Centres of excellence linked to key growth sectors • Access to finance • Lack of awareness of support and uncertainty about benefits of RTDI. • Limited capacity to build relationships with universities and other research institutions

(ii) Information and Communication Technology (ICT)

Worcestershire conditions:

- The coverage of superfast broadband in Worcestershire is estimated at 72.3% and average sync speeds are estimated at 14.5 Mbps (UK average of 14.7 Mbps).
- Associated with the improved coverage in broadband infrastructure, take-up of superfast broadband has increased in recent years and is estimated at 16.9% in Worcestershire.
- Worcestershire is currently investing to extend the coverage of superfast broadband to 90% of premises by 2015.

National and local funding is already contributing significantly to meeting EU and national aspirations in terms of broadband coverage and speeds. Therefore, the main rationale for intervention in this area is to overcome information failures by advising on and facilitating the use of ICT products and services by SMEs and social enterprises to support growth. Notably, without EU funding to support businesses, the large public and private investments in broadband infrastructure is unlikely to be optimised in terms of supporting growth. Indeed, SMEs and social enterprises may continue to have low expectations of how they can transform their business performance through superfast broadband and ICT products and services.

There may also be an opportunity to support the cyber security sector in terms of the development of ICT products and services. Cyber security is one of the most pressing issues at the moment and the Government has estimated the cost of cybercrime to the UK economy as £27 billion per annum. Worcestershire is one of only a few locations in the UK that have got an established cluster of cyber security businesses. It has also been identified as one of the key growth sector in Worcestershire. This, in combination with a concerted central Government agenda to grow this area, represents a unique opportunity for Worcestershire. In order for this to happen a number of factors need to be in place, including the provision skilled employees, finance for business growth, suitable infrastructure and customer engagement.

Growth opportunities	Barriers
• Developing ICT products and services through established cyber security/defence cluster • Improve productivity and internet security by application of ICT products and services	• Limited knowledge and low expectations of ICT products and services. • Lack of finance to adopt and develop ICT products and services

(iii) SME Competitiveness

Worcestershire conditions:

- In 2013, there were 22,015 VAT and/ or PAYE based enterprises in Worcestershire[6]. The greatest proportion of these are in the professional, scientific and technical sector (14.3%), with a further 13.4% involved in construction and 8.1% involved in production.
- Since 2010, the total number of VAT and/ or PAYE based enterprises in Worcestershire has decreased by 3,910 (or 15.1%).
- Worcestershire has a slightly higher proportion of VAT and/ or PAYE based enterprises that can be classed as micro businesses. The Worcestershire enterprise

[6] It should be noted that there are a number of micro-businesses in Worcestershire that are not yet at the level where they can register for VAT and are therefore not accounted for in these figures.

base is also characterised by a relatively large proportion (21%) of enterprises with a turnover of less than £49,000. The England average is 18%.

- Another distinctive characteristic of many Worcestershire enterprises is that compared to the national average, they have been in operation for a relatively long time. Indeed, nearly half of all VAT and/ or PAYE based enterprises have been in operation for 10 years or more.
- Whilst the level of enterprise births remains below pre-recession levels, there has been a growing trend since 2009. This combined with a falling death rate has had a positive impact on net business creation in Worcestershire. Nevertheless, the overall levels of enterprise churn continues to be below the national average.
- In Worcestershire, some 86% of the businesses born in 2010 survived their first year. This represents a significant fall since 2006 when the one year survival rate was 96.7%. Notably, Worcestershire has also fallen further behind the national and regional averages.
- Worcestershire has a relatively large proportion of employment being in sectors that have got a higher than average propensity for trade. However, this potential is currently not being fully realised by local businesses, with generally low levels of exporting.

Worcestershire has had limited success in terms of attracting inward investment and the indigenous business base therefore has to date been the key driver for growth.

A number of barriers to SME growth exist in Worcestershire, including access to finance. Indeed, in a recent survey of Worcestershire businesses, 35% of respondents, most of which were small or micro firms, stated that access to finance was constraining their ability to grow. Such market failures or inefficiencies particularly relate to imperfect and asymmetric information (on the demand side as well as supply side). For example, SMEs may not fully understand the potential benefits and/or their likely chance of success in accessing external finance. There may also be a lack of knowledge of available funding sources and/or lack of skills to present the business as an investable opportunity.

The growth of Worcestershire businesses is also constrained by imperfect and asymmetric information failures in relation to business support. Indeed, many local businesses are not aware of available business support services and/or have a lack of understanding regarding the potential benefits of such support. In the case of targeted interventions at social enterprises, rural enterprises and entrepreneurship in deprived areas, there is also a strong equity rationale.

On the basis of the above, further intervention is required to encourage greater levels of entrepreneurship (particularly in higher value activities), improve access to finance (grants, loans and equity) and improve the conditions for business growth, including through better integration in the global market place and improved productivity/energy efficiency.

There is a particularly strong potential for growth in sectors such as advanced manufacturing, agri-tech, cyber security/defence and tourism.

Growth opportunities	Barriers
• Improved global integration, including exporting • Strong potential for growth in key sectors (advanced manufacturing, agri-tech, cyber security/defence and tourism) • Entrepreneurship as a route out of unemployment	• Knowledge of, and access to, external finance opportunities • Lack of awareness and understanding of business support offer

(iv) Low Carbon

Worcestershire conditions:

- Average domestic gas and electricity consumption in Worcestershire is generally higher than in the West Midlands and England, although average industrial and commercial consumption is significantly lower. The lower industrial and commercial usage can be expected to reflect the structure of the Worcestershire economy, with a lower reliance on energy-intensive sectors.
- Carbon emissions per capita are slightly higher in Worcestershire (7.2 tonnes) than the West Midlands and England averages (6.7 tonnes). However, since 2005 carbon emissions in Worcestershire have fallen by 1.5 tonnes per person or 17%.
- Emissions are particularly high in Wychavon at 10.2 tonnes per capita, possibly due to the relative affluence of the authority and the fact it is a rural district, which affects such factors as car ownership and the need to travel by car to access employment and services.
- In terms of the composition of local CO2 emissions, industrial and commercial activities account for more than 40% of emissions, primarily through electricity and gas use. Domestic users account for nearly 30% of total CO2 emissions, whilst transport, primarily road transport, account for approximately 29%.
- Worcestershire has a relatively limited renewable energy generation capacity, with the known capacity (excluding microgeneration) estimated at less than 10MW.
- The Low Carbon Environmental Goods and Services (LCEGS) sector in Worcestershire is valued at over £1 billion in terms of sales and supports an estimated 7,600 jobs and over 400 businesses.

With investment in low carbon technology development and adoption being associated with significant positive externalities, there is a strong case for public investment and support in this sector.

The vast majority of Worcestershire's energy is supplied from outside the County. Providing more of the energy needs within the County, particularly from zero and low-carbon sources, could have wide-ranging benefits. For example, an increase in distributed generation and localised heat networks could help ensure that the County is better prepared to cope with energy security issues. It could also improve economic competitiveness, improve affordability, provide employment opportunities for local people and help strengthen parts of the grid suffering from weak supplies.

Alternative energy infrastructure supports emissions reduction and can provide a more local supply at more reasonable costs. Promoting Worcestershire as a location for sustainable energy infrastructure could also help the County in attracting and retaining green business (both energy and non-energy). Local generation could include community-owned projects where the local community provides capital investment in return for dividends (for example, Westmill wind farm). Renewable energy sources can be especially beneficial to properties not on the gas grid, and Worcestershire has extensive rural communities where this is the case.

Energy-from-waste potentially offers a stable energy supply for Worcestershire, much of which is classed as renewable. Indeed, the recently-approved Energy-from-Waste plant in Evesham demonstrates how locally-produced electricity can be generated through waste that would otherwise go to landfill.

Notably, businesses, such as food producers in the Vale of Evesham, are increasingly moving towards alternative, local energy production as the costs of conventional energy supply continue to rise. These local initiatives include some major private sector investment in infrastructure and grid connections, and will help to ensure that local businesses can grow and can benefit from the financial incentives available. Farm-scale renewables are generally developed for the farm's own requirements, but the grid connection ensures a wider benefit. If these schemes can be broadened, in terms of both scale and investment, then even greater benefits can be realised. This presents an opportunity for public sector investment alongside private, to capture more of the benefits for Worcestershire.

High and fluctuating energy costs continue to seriously affect SMEs' profitability and in some cases their viability. Carbon Trust data shows that many SMEs are wasting as much as 30% of their energy and that a 20% reduction in energy bills is achievable for most businesses. Despite this compelling business case for investing in energy efficient or low carbon technology, there are a number of major barriers which means that organisations either delay or do not implement projects that would help to reduce bills, cut carbon and provide a rapid return on investment. These barriers tend to fall into one of three categories: lack of awareness, lack of confidence and lack of funds. Public funding is therefore needed to overcome such barriers and market failures.

Energy efficiency measures are closely linked, and complementary, to the ambition of creating a low carbon economy. Indeed, achieving greater energy efficiency, which also tends to have most benefit on a local level for businesses and households, means that alternative and low carbon energy systems can be introduced at the levels that are genuinely required, which makes the chance of success greater and reduces the capital expenditure required to deploy them.

Worcestershire's LCEGS sector has shown growth of around 5% in recent years. However, SMEs are struggling to secure sufficient finance to maintain current development pathways due to the high costs of energy and environmental technologies, lack of private sector investment and the high risk nature of the supply chain. Further intervention is therefore required to support the continued growth of this sector, including capital investment grants and support to 2nd and 3rd tier suppliers.

Growth opportunities	Barriers
• Localised generation of low carbon energy, including energy from waste, biomass and community schemes. • Improved productivity from energy efficiency • New centres of excellence are planned for engineering and agri-tech • Expanding market for LCEGS	• Knowledge of, and access to, external finance opportunities • High and fluctuating energy costs affecting profitability and in some cases business viability • Benefits of low carbon energy and energy efficiency cannot be fully internalised, leading to underinvestment.

2.2.2 Place

(i) Climate Change Adaptation and Environmental Protection

Worcestershire conditions:

- Worcestershire has an above average life satisfaction rating, which can, to a considerable extent, be attributed to its attractive natural and historic environment.
- Approximately 10% of the land area in Worcestershire is at risk of flooding.
- Local CO_2 emissions (kilo tonnes per 1,000 population) are estimated at 7.2, which is higher than both the West Midlands and the England average (6.7).
- Worcestershire has the second largest percentage of land area at risk of flooding in the West Midlands region.

Worcestershire benefits from an attractive natural and historic environment. However, in the longer term this high quality natural environment may be threatened by climate change and increasing carbon emissions.

The impacts of climate change mean that the resilience of infrastructure to increased demand and severe weather is critical. Some existing infrastructure is not well-suited to cope with incidents of severe weather but projections suggest the intensity and frequency of these types of events is due to increase. Previous flooding in Worcestershire had led to the closure of a substation, resulting in a loss of power to parts of the County. Other infrastructure is also extremely dependent on electricity to maintain the provision of services (e.g. for pumping water, maintaining communications (services/businesses reliant on computer systems) and

keeping traffic signals working). Over the last few years, floods have occurred as a result of rivers such as the Severn, Avon and Teme bursting their banks and through flash flooding as a result of intense rainfall. In Worcestershire, approximately 10% of the land area is at risk of flooding. In the 2006 State of the Environment update, the number of properties at risk of flooding was around 4,000. Notwithstanding this, it is understood that most of the major viable flood risk projects have been completed or are in the process of being implemented. As such, any support in terms of flood risk management would be directed at information and knowledge transfer to SMEs in communities that are still at risk of flooding.

Worcestershire has historically lacked strategic employment sites, which has led to lost foreign direct and local investment. Whilst the Game Changer programme has been developed to address this weakness, there is a real opportunity and desire to ensure that the Game Changer sites and other new employment sites are developed with environmental sustainability at the core.

Whilst Worcestershire benefits from a strong food and horticulture sector, a number of issues, such as increasing regulation, declining water quality, droughts, and the longer-term risks of climate change, threaten the sustainability of this industry and the rural livelihoods it supports. New and improved approaches to these issues are therefore needed to support the sector, which is worth £70 million to the Worcestershire economy (representing 20% of the West Midlands horticulture output).

Growth opportunities	Barriers
• Promoting Worcestershire as a location for sustainable and low carbon sites.	• Lack of resilience of infrastructure to the impact of climate change, including flooding. • Sustainability of food and horticulture sector threatened by increasing regulation, declining water quality and supply and droughts.

2.2.3 People

(i) Employment

Worcestershire conditions:

- Worcestershire has seen one of the sharpest falls in employment in recent years; between 2009 and 2011 employment fell by 2.3%.
- In November 2013 there were just over 7,600 people claiming Jobseekers Allowance (JSA) in Worcestershire representing 2.2% of the population aged 16-64. This is lower than West Midlands and England averages.

- There is a growing number of long-term claimants. In Worcestershire, the proportion claiming benefits for 12 months or more has increased from 4.7% in March 2009 to 27.2% in November 2013.
- Claimant rates vary by age with rates amongst younger people (aged 18-24) markedly higher than for people aged 50+ years. Over half of claimants are, however, aged 25-49 years. Notably, claimant rates in relation to the age groups have not changed significantly in recent years.
- The number of claimants per notified vacancy in Worcestershire (2.1) remains lower than England (3.2). However, they are not yet near the levels they were at in March 2008 with 1.3 and 2.1 claimants per vacancy respectively.
- Worcestershire also performs well on the wider measure of unemployment, with an unemployment rate of 5.5%. This can be compared 9.4% in the West Midlands and 8.0% in England.
- Workplace based earnings are below regional and national averages. Notably, residence based earnings exceed workplace based earnings, suggesting that a number of residents benefit from well-paid jobs outside of Worcestershire.

Bringing people back into the workforce is seen as desirable for individuals and families, as it provides additional income and other benefits such as improved health and well-being, while also reducing the number of people needing financial support.

An important characteristic of unemployment in recent years is that a much greater proportion of the unemployed are out of work for 6 months or longer. Indeed, in Worcestershire the number of unemployed for 6 months or longer has increased from 1,400 in 2008 to nearly 4,000 in 2013. This represents a significant barrier to employment, particularly if workers that have been jobless for extended periods come to be seen as unemployable by prospective employers. Indeed, research has shown that businesses are wary of hiring people that have been unemployed for more than six months. As such, it is important that the unemployed are supported to respond to those employment opportunities that arise.

Young people have particularly been affected by the recent economic crisis and unemployment among young people, including university graduates, represents a significant issue for Worcestershire and the UK as a whole. There are a number of costs and other negative consequences associated with disengagement of young people from the labour market. For example, a forced delay in entering the labour market will impact on the lifetime earnings potential and may increase the likelihood of becoming disengaged from the labour market in the longer term. Equally, the effect of a situation whereby younger workers (including university graduates) are forced to take jobs that do not use their skills may result in highly skilled younger people finding themselves 'demoted', at least in the eyes of potential employers, to the status of low-skilled workers, which will mean that their education goes to waste.

The heightened risk of worklessness among young people was highlighted in recent study by the West Midlands Regional Observatory. This also identified number of other 'risk factors' that alone or in combination with each other impact the levels of worklessness:

- being an older person (aged over 55 to retirement age);
- being from a Black, Indian or Pakistani/Bangladeshi ethnic group;
- having a long-term health problem or disability;
- being a lone parent; and
- having no qualifications.

Recognising these risk factors, it will be important to ensure that additional support is available to these groups in order to reduce the incidence of worklessness in Worcestershire.

Whilst not representing a worklessness issues in the same sense as for the groups described above, there is a high incidence of early retirement, particularly among females, in Worcestershire. Indeed, early retirement is the most common reason for economic inactivity among the working age population in Worcestershire. As such, there may be an opportunity to provide support to mobilise older workers and thus mitigate short to medium term supply constraints in the labour market.

When the UK and Worcestershire economy recovers from the current economic crisis, it is important that the currently underutilised labour supply is ready and able to benefit from the employment opportunities created. This process can be supported by engaging the workless in positive activities that bring them closer to the labour market and provides them with the required skills and competences to benefit from such employment opportunities.

Growth opportunities	Barriers
• Maximising the potential of the local workforce • Securing the future supply of labour, including older workers and younger cohorts.	• Increasing levels of long-term unemployment • Young people accepting jobs that do not match their skills levels

(ii) Social Inclusion

Worcestershire conditions:

- Income deprivation is often considered to be the most important component of disadvantage. People living on low incomes are restricted in terms of their housing choices, education opportunities and skills, and employment prospects. Just over 28,000 people (4.9% of the population) in Worcestershire live in a household with a median income less than £17,016 per annum, which is less than 60% of the median

household income for England (the official Government definition of poverty). Across Worcestershire the greatest proportion of the population on a low income live in Wyre Forest, with 7,891 people representing 8.0% of the population. This is the equivalent of 9.5% of households in the area. Worcester and Wyre Forest also have a relatively proportion of the population and households on low incomes when compared to the county average.

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- Across Worcestershire the greatest proportion of the population on a low income live in Wyre Forest, with 7,891 people representing 8.0% of the population. This is the equivalent of 9.5% of households in the area. Worcester and Wyre Forest also have a relatively proportion of the population and households on low incomes when compared to the county average.
- 36% of residents are classed by ACORN as "Affluent Achievers". However, 20% are classed as Financially Stretched and 10% Urban Adversity. The mean average income gap between the Affluent Achievers and the Urban Adversity is £18,000.
- On a broader measure of deprivation (based on the Index of Multiple Deprivation), it is estimated that approaching 16% of Worcestershire's Lower Layer Strategic Output Areas (LSOAs) are in the most deprived 30% of SOAs in England. A significant proportion of these are concentrated in Redditch, Worcester and Wyre Forest.

Whilst Worcestershire as a whole can be considered to be an affluent and prospering area, there are pockets of multiple deprivation (in urban as well as rural areas) that needs to be addressed.

Income deprivation is a particularly important component of disadvantage. People living on low incomes are restricted in terms of their housing choices, education opportunities and skills, and employment prospects. There is therefore a strong case for improving access to affordable credit and developing outreach activities in relation to debt and welfare advice, as well as basic skills training in finance, literacy, and capacity.

It will be important to ensure that disadvantaged groups and areas gain access to opportunities generated through investment in Worcestershire. Equally, it will be important to ensure that the jobs created are well paid.

The prevention of young people aged 14-19 years from becoming NEETs (not in employment, education or training) and the re-engagement of those that have, represents a particularly important area in terms of social inclusion. Specific support is required for vulnerable young people who are NEET and not ready to progress into mainstream provision. NEETs often face multiple and complex issues and these have to be tackled in a comprehensive and integrated way. The individual life-time public finance cost of NEETs is estimated at £56,300.

Growth opportunities	Barriers
• Maximising the potential of the local workforce • Moving people into positive activities and ultimately employment	• Increasing levels of long-term unemployment • Low levels of income restrict housing choices, education/skills opportunities and employment prospects • Pockets of multiple deprivation • High levels of NEETs

(iii) Education, Skills and Lifelong Learning

Worcestershire conditions:

- Around a third (32.5%) of Worcestershire's working age population are qualified to NVQ level 4 or above, below the Great Britain rate of 34.4% but above the regional rate of 27.8%. The overall performance of Worcestershire masks some spatial variations across the WLEP area with Wyre Forest and Redditch not performing as well on this indicator.
- Approaching a quarter (22.0%) of the working age population is qualified to NVQ level 1 or below, which is just over the national rate of 21.9%, but below the regional rate of 26.5%.
- Worcestershire has a net out-commuting flow of more than 37,000, of which a high proportion represents workers with higher level skills. The highest net outflows are found in Bromsgrove and Wychavon. The only Worcestershire district with a net inflow of commuters is Worcester, although most of the inflow is from other Worcestershire districts.
- Nearly half of jobs in Worcestershire are in highly skilled (SOC 1-3) occupations, which is above the regional and national averages. Nevertheless, more than a third of the jobs can be categorised as low skilled jobs (SOC 6-9), which is above the national average but below the regional average.
- In terms of securing a highly skilled workforce for the future, it is encouraging that an above national average share of pupils is attaining five or more GCSEs Grades A-C. Nevertheless, nearly 1,000 or 5.4% of 16-18 year olds are categorised as NEETs (not in education, employment or training).
- According to a recent employer skills survey (2011), 19% of all establishments reported skills gaps. Moreover, in excess of a quarter (26%) of vacancies were reported to be hard to fill due to skills shortages. This can be compared with 16% of vacancies in England. Skills shortages relate to technical and practical skills (including job specific skills), as well as 'softer skills', including the right attitude, motivation and social skills.

- Around two thirds of businesses (62%) provide training for their staff - 18% only offered on the job training and 14% only offered off the job training. There were 29% of establishments that offered both on and off job training, 28% that trained their staff to gain nationally recognised qualifications.

In order to develop a strong, sustainable, technology and innovation-led economy for Worcestershire, it is essential that the county has a well-educated, highly skilled workforce able to meet both current and future business needs. Indeed, it is likely that the strongest growth in new jobs in the future will be in higher value added and more highly skilled businesses. Therefore there is a need to up-skill the workforce in existing businesses to improve their productivity and help them to exploit new market opportunities, whilst at the same time creating new jobs in the higher skilled and value added sectors.

There is a strong case for Government intervention in relation to skills provision and support, not least because of the positive externalities generated by the investment. To the extent that the skills provision and support is successful in supporting certain communities and/or groups, there is also an important equity rationale for public investment in this area.

Whilst Worcestershire currently benefits from a relatively highly skilled working age population, there are some concerns about the future supply of highly skilled labour as a result of an ageing population and out-migration of younger cohorts. Moreover, a number of skills shortages have also been identified in relation to the existing workforce. Such skills shortages include a lack of work experience and qualifications, technical and job-specific skills, as well as "softer skills" such as the right attitude, motivation and social skills.

Notably, more than a third (38%) of businesses in Worcestershire do not offer any training for their staff. Moreover, nearly a fifth (18%) only offers on the job training. There is, therefore, a need to ensure that a greater proportion of the Worcestershire workforce are made aware of, and gain access to, training opportunities to support continuous skills development.

Growth opportunities	Barriers
• Up-skilling the unemployed, as well as those in employment. • Providing training and employment opportunities, particularly for younger cohorts. • Providing vocational routes to employ-ment.	• Significant outflow of younger cohorts • High levels of out-commuting among highly skilled

2.2.4 Rural

Worcestershire conditions:

- Approximately one third of Worcestershire's residents live in rural areas. The rural population is particularly high in Wychavon and Malvern Hills, where it accounts for 60% and 53% of the total population respectively.
- The rural districts of Worcestershire, particularly Malvern Hills, have a much higher proportions of residents of retirement age. Housing is less affordable in many rural areas.
- There are almost 11,000 businesses in the rural economy of Worcestershire (compared with 15,000 in the urban areas of Worcestershire). More than 98% of rural businesses are small or micro businesses (i.e. less than 50 employees).
- No rural areas in Worcestershire are identified as deprived according to the IMD. However, residents of rural areas account for 20% of all working-age people receiving DWP benefits in Worcestershire. As such, rural Worcestershire is significantly more deprived when assessed against the location of deprived people as opposed to the location of deprived areas.
- There are over 700,000 domestic tourism trips to Worcestershire annually, generating some two million overnight stays (with holidays being the primary purpose of the overnight stay). Further to the domestic tourism, Worcestershire also attracts some 100,000 international visitors annually.
- Tourism expenditure accounts for £538 million in Worcestershire, most of which is generated from domestic day visitors (71%). Domestic overnight tourism accounts for a further £100 million.
- The largely rural areas of Malvern Hills and Wychavon are, together with Worcester City, the most popular destinations for domestic visitors

The rural economy in Worcestershire is made up of approaching 11,000 businesses (compared with 15,000 in the urban areas of Worcestershire). More than 98% of rural businesses are small or micro businesses (i.e. less than 50 employees). Notably, nearly a quarter of all businesses have no employees. Agriculture and forestry; wholesale and retail; and construction represent the main sectors in Worcestershire's rural economy in terms of business numbers, accounting for approaching half of all rural businesses (44%). Another important sector is the tourism and recreation sector which accounts for nearly 800 rural businesses.

With regards to the agri-tech sector, there are particularly three areas that offer significant growth opportunities:

- Vale of Evesham provides a focus for commercial horticulture, with increasing opportunities for growth, including food production and processing facilities;

- Wyre Forest and the surrounding area provides an opportunity for finer grain development of small holdings and smaller scale food production linked to the Marches; and
- Teme Valley and the South provide an opportunity for commercial fruit production linked to larger scale orchards.

With its many natural, historical and cultural assets (many of which are located in rural areas), such as the Malvern Hills and West Midland Safari Park, Worcestershire represents an important visitor destination.

The primary river network is a significant tourism and environmental feature and has supported growth in river towns such as Tenbury, Stourport and Bewdley. The Worcester & Birmingham Canal and the River Severn connects Worcestershire to the Midlands in the north and the Bristol Channel to the South. Canal and river corridors also provide an alternative, safe route for pedestrians and cyclists accessing work and leisure opportunities. The WLEP recognises the benefit of having canal and river navigation through Worcestershire providing waterside locations that can attract investment.

Importantly, the rivers are also a major source of water for agriculture. Extraction licences are increasingly controlled and could be a significant barrier to further development of the Vale of Evesham and the agri-tech sector, where ready access to quality water for irrigation is critical.

Whilst rural communities and businesses will be supported through all of the other thematic areas described above, there is also a strong rationale for providing specific support to rural communities and businesses.

For example, a lack of suitable transport to access opportunities in employment, training and further/higher education is an issue that particularly affects rural areas. Rural areas also face barriers in terms of digital connectivity, with some areas not covered by fixed-line broadband and 3G (mobile) coverage. Notably, there is increasing evidence that such connectivity issues are causing the rural economy and rural areas to fall behind their urban counterparts.

A recent report by the Commission for Rural Communities also notes that rural areas often lack the larger urban businesses which tend to benefit from Government funding initiatives. There is therefore a need for smaller rural-focused schemes. The withdrawal of local business support services and their replacement with predominately web-based services has also been highlighted as a barrier for rural businesses, particularly those with limited broadband access.

Worcestershire has a strong track record in delivery in rural areas, including through the successful Worcestershire LEADER Programme. WLEP has been working with the Worcestershire Local Action Group to ensure the LEADER transition period and the future programme aligns with the Government's agenda and the SEP vision and objections. The new programme will be designed to complement the ESI Funds Strategy (including the EAFRD component) and the national scheme funded through the Rural Development Programme.

2.3 SWOT analyses

2.3.1 Introduction

The ESI Funds Strategy has been designed to realise these opportunities for growth. The Strategy will also address the challenges (weaknesses and threats) that are faced by Worcestershire

2.3.2 Enterprise

Worcestershire's performance in terms of GVA per head and per worker has been consistently below the national average in recent years, although this can to a considerable extent be explained by the dominant effect London and some surrounding counties have on the national figures. Indeed, Worcestershire has had one of the highest long-term (1997-2011) growth rates in Gross Value Added (GVA) outside the Greater South East (although this growth slowed down in the period 2006-2011, relative to other LEPs).

Notwithstanding this recent relative decline in GVA growth, the Worcestershire economy has substantial potential to return to a higher growth rate and contribute to national economic growth. For example, Worcestershire has particular sector strengths in high technology growth sectors such as advanced manufacturing (ranked 3rd out of all LEPs), cyber security/defence/IT (a nationally recognised cluster centred in and around Malvern) and agri-tech (it accounts for 20% of horticulture output in the West Midlands). However, these sectors currently face a number of challenges, including access to finance, energy/resource efficiency, skills development, innovation and R&D support, many of which are a result of information and innovation related market failures. It will be important to address such market failures and challenges in order to ensure that these growth sectors fulfil their potential and support growth in Worcestershire and beyond.

Some of the larger employment sectors, such as services, have underperformed. However, the professional and business service sector is an important potential driver of growth for Worcester City and can contribute to raising value added. In addition, the County has strengths in the visitor and destination economy sectors – the development of this sector can, for example, play an important role in addressing economic exclusion.

The County's economy is characterised by a large number of SMEs, many of which are small and have been trading for a relatively long time. In some cases these SMEs will be 'lifestyle businesses' with limited aspirations for growth, but many do want to expand. However, the entrepreneurial spirit of Worcestershire has weakened in recent years, with relatively fewer start-ups and limited enterprise churn. There are many reasons for this but following the economic crisis access to funding has represented a significant barrier to start-ups and enterprises seeking to expand. As such, it will be important to ensure that there is access to finance and the provision of general business support in order to build on the relatively high levels of entrepreneurship and develop the existing base of SMEs.

A high proportion of Worcestershire employment is in contestable industries – that is those industries which are export and import intensive - although the actual levels of exporting are relatively low. There is thus the potential to increase the level of international trade to support growth.

Whilst Worcestershire exhibits a relatively high level of patents per working age resident, business surveys reveal that private sector innovation and research activity is limited and that there is a lack of business and Higher Education (HE) collaboration. The County also lacks Centres of Excellence that can be catalysts for growth in the key sectors. As such, and notwithstanding the growth and diversification of University of Worcester in recent years, there is a strong need to build external linkages with HEs and other research institutions outside the County, particularly those with a strong industrial research focus. The potential for greater innovation and R&D investment is particularly strong within the identified key growth sectors – cyber security/defence/IT, advanced manufacturing and agri-tech.

Worcestershire has had limited success in terms of attracting inward investment historically, despite a number of locational advantages. Recent growth and job creation has principally come from the indigenous business base, which is, as noted, primarily made up of SMEs. In part, the past performance reflects what has been identified as the under-developed national and international profile of the County. However, Worcestershire's location and assets mean that it has significant potential to attract mobile investment.

Whilst Worcestershire is an important economic location in its own right, it is also well positioned to benefit from and complement the economic strength and potential of Greater Birmingham and Solihull. As England's second largest city, Birmingham has an international reputation and a significant concentration of economic activity that will inevitably influence the growth of Worcestershire. Furthermore, half the districts that make up the WLEP are also part of the Greater Birmingham and Solihull LEP. The economic linkages with Birmingham and wider West Midlands region are particularly evident in terms of commuting, especially from the northern Worcestershire districts. However, there are also key economic linkages in relation to a number of key sectors. Indeed, a number of key suppliers to for example, Jaguar Land Rover are located in Worcestershire. Such economic linkages also extend into the South West through, for example, the links of the cyber security sector to Gloucestershire and the West of England.

A number of business surveys have been conducted in recent years identifying the main economic priorities for Worcestershire and the principal barriers and opportunities for local businesses. For example, the 2011 Business Engagement Survey identified the following economic priorities for Worcestershire:

- supporting the growth of existing Worcestershire businesses (identified as the main economic priority by more than half the businesses surveyed);
- working with partners to look at possible financial incentives through reduced business rates for companies to locate and/or stay in Worcestershire (35%);
- infrastructure - supporting the maintenance and development of key infrastructure, particularly roads and broadband (23%);

- bringing new companies to Worcestershire (23%);
- improving skills - supporting the development of a skilled workforce – particularly among young people and through apprenticeships (15%);
- access to finance - providing support and guidance to businesses about available funding and providing direct financial support for business development (14%); and
- providing direct support, particularly to start-up businesses to help them survive and grow (13%).

These economic priorities were largely confirmed by the most recent survey of businesses which was undertaken in December 2013. Indeed, 9 in 10 businesses identified "supporting the growth of existing Worcestershire businesses" as being a "very high" or "high" economic priority (the increase in the proportion of businesses identifying this as a priority reflects the restriction to selecting only two priorities in the 2011 survey). Other important economic priorities identified by business were infrastructure and working with partners to look at possible financial incentives. In terms of 'infrastructure' businesses have identified, for example, the lack of high quality hotel and conference facilities as a weakness. Opportunities to improve efficiency by better use of ICT/broadband, renewable energy/energy, water and waste have also been identified. The latter will be important as energy, water and waste resource costs increase.

The 2013 business survey also highlights the reasons for locating their business in Worcestershire. Whilst the majority of respondents (74%) indicated that the reason for locating their business in Worcestershire was because they are Worcestershire residents, over a quarter (27%) also indicated that it was due to the nature of the sites/premises. This highlights the historic importance of availability of sites/premises and thus the significance of the constraints identified above for future growth.

In terms of the prospects for Worcestershire businesses, it is notable that approaching a quarter (22%) of respondents expect to recruit over the next 12 months. Such recruitment may however be hindered by a number of skills deficiencies in the local labour market. The most common skills deficits encountered when recruiting are job specific skills (41%) and technical or practical skills (36%). Around three in ten businesses also anticipate skill deficits in customer handling (30%), problem solving (29%) and planning and organisation skills (28%).

The most common business services accessed through Worcestershire County Council are business growth information/support services, procurement and staff recruitment/training related information. More broadly, businesses particularly expect to use business support services to access finance (20%), expand their business (19%) and/or for recruitment (15%) in the coming 12 months.

Table 2.1 presents a summary of Worcestershire's main strengths, weaknesses, opportunities and threats, in relation to Enterprise.

Table 2.1: Enterprise	
Strengths • Large SME base (but many are 'lifestyle' businesses with limited aspirations for growth) • 3rd highest share of employment in high/medium high technologies • Key sectors – advanced manufacturing, agri-food, cyber security/defence/IT • High patent registration rate • Strong long-term growth in GVA	**Opportunities** • Building on high levels of entrepreneurship and developing the existing base of SMEs • Development of key growth sectors and businesses through targeted programmes (e.g. business support, supply chains, skills strategy delivery) • Cross-sector efficiency – ICT/ broadband, renewable energy/energy, water and waste efficiency • High potential for internationalisation • Major economic and demographic growth in Birmingham and Solihull
Weaknesses • Below average GVA per head/productivity • Lack of access to finance • Low employment in knowledge intensive services • Relatively low levels of inward investment • Limited innovation and research activity • Lack of centres of excellence • Lack of business-HEI collaboration • Underdeveloped national/international profile	**Threats** • Under-performance of large employment sectors – services • Skills shortages • Spatial variation in performance – economic divergence across LEP area • Major economic and demographic growth in Birmingham and Solihull (although this also represents a significant opportunity) • Increasing energy, water and waste resource costs

2.3.3 Place

With its many natural, historical and cultural assets, Worcestershire provides an excellent living environment and represents an important visitor destination. Worcestershire is well connected to most parts of the UK, particularly through the Highway Agency managed Strategic Road Network (SRN). The County is also served by a range of regional and Inter-City rail services. Worcestershire has good access to international markets, most notably, through Birmingham Airport, which is a 45 minute drive away. However, these linkages suffer from a number of specific constraints, which the SEP is seeking to address.

Development in Worcestershire has in the past been restricted by the lack of strategic sites. This has significantly constrained growth and led to lost investment. However, four initial Game Changer sites have been identified and are being progressed for development. These sites can deliver some 6,800 net additional jobs.

Housing affordability remains a significant issue in many parts of Worcestershire. WLEP is committed to securing the early delivery of affordable and other housing to support economic growth.

Alluvial flooding continues to be a problem, but major investment in flood defences has been completed in most river towns and village areas. The flood plain of Worcester City, however,

remains a major issue. In February 2014, following extended rainfall the River Severn within Worcester reached record levels. In total 108 homes and 55 businesses in Worcester and Malvern were flooded, while flood water caused severe disruption to residents and businesses across Worcestershire.

The coverage of superfast broadband in Worcestershire is above the national average at 68.3%, and will be extended to 90% of business and residential premises in Worcestershire by 2015, as a result of recently confirmed investment of £20.75 million by Broadband Delivery UK (BDUK), Worcestershire County Council and BT. The commitment to secure 90% business coverage is particularly significant. The deployment of broadband infrastructure is, however, as noted only part of the picture as there is a significant knowledge gap among SMEs in terms of how the opportunities offered by superfast broadband can transform their businesses to make use of superfast broadband. If not addressed, many businesses are unlikely to understand or realise the benefits of higher-level applications, and will therefore not invest in superfast broadband. One of the priorities is therefore to support businesses to make full use of superfast broadband and thus ensure that the large public and private investments in broadband infrastructure is optimised in terms of supporting growth.

In terms of the environment, Green Infrastructure Corridors throughout the County provide an important focus for reflecting the habitat, landscape, flora and fauna of the County. The Green Belt has a significant influence in the north of the County, dominating the countryside outside the established urban areas. The attractive living environment of the County represents a significant strength and a particular challenge will therefore be to ensure that the County maintains an appropriate balance between protecting the environment and economic development.

A summary of Worcestershire's main strengths, weaknesses, opportunities and threats, in relation to Place, is presented in Table 2.2.

Table 2.2: Place

Strengths	Opportunities
• Connectivity – road, rail and air • Attractive living environment – relatively high life satisfaction • Central strategic location to key markets and distribution channels • Important visitor destination - history and heritage • Defined employment locations	• Key strategic sites - Game Changer programme • Worcester City – retail, office and leisure • New/improved infrastructure – transport, digital and utilities • Links to HS2 and Birmingham Airport (UK Central), as well as Heathrow • Improved rail connectivity • Motorway corridors and junctions as drivers of economic growth
Weaknesses	**Threats**
• Current lack of strategic sites (but Game Changer sites will address once infrastructure constraints are overcome) • Affordability of housing in some areas • Some access pinch points to the strategic	• Longer term supply of readily available strategic and other employment sites/premises (beyond initial Game Changer sites) • Failure to deliver housing

transport networks – which are constraining economic growth • Limited superfast broadband take-up	• Vulnerability of key infrastructure and resources to flooding and climate change

2.3.4 People

Understanding the size and composition of the population is crucial for economic development. The number of people and the age profile of the county influences key measures, such as the size of the working age population. This affects the number of jobs that are required, and for businesses the ease with which they are able to fill roles from the local labour market, with implications for attracting inward investment and the overall productivity of the County.

The population of Worcestershire is estimated at around 569,000. The local authority with the most residents was Wychavon with 117,700, whilst Malvern Hills had the lowest number of residents with 75,000. Notably, population growth has been relatively modest over the past decade.

The age structure in Worcestershire differs somewhat from national trends, with noticeably lower proportions of people aged 20-39 years, and a markedly higher percentage aged 55 years and over. Older people are particularly concentrated in the more rural parts of the County, including Malvern Hills.

The population growth and structure are heavily influenced by migration patterns, with younger people tending to move to towns and cities for education and employment reasons. This outflow of younger cohorts is, however, more than offset by an inflow of largely older cohorts, particularly into Malvern Hills, Bromsgrove and Wychavon. Indeed, in terms of total net migration, Worcestershire receives a net inflow of almost 1,300 persons per annum.

Commuting patterns in Worcestershire are complex but important. While some 72% of the resident working population live and work in the County, a considerable number of people commute out of the County to work elsewhere, while others commute into Worcestershire for employment. Currently, Worcestershire has a net out-commuting flow of more than 37,000. The highest net outflows are found in Bromsgrove and Wychavon. The only Worcestershire district with a net inflow of commuters in Worcester, although most of the inflow is from other Worcestershire districts. Equally, the success and growth of businesses in Worcestershire also has a direct effect on the prospects of residents in neighbouring authorities. To date, economic activities in Worcestershire have particularly benefited residents in Birmingham, Dudley, Stratford-upon-Avon, Herefordshire and Shropshire.

In order to develop a strong, sustainable, technology and innovation-led economy for Worcestershire, it is essential that the County has a well-educated, highly skilled workforce able to meet current and future needs of both potential new and existing businesses. Indeed, it is likely that the strongest growth in new jobs going forward will be in higher value added and more highly skilled businesses. Therefore, there is a need to upskill the workforce in existing businesses to improve their productivity and help them to exploit new market opportunities, whilst at the same time attracting new businesses and jobs in the higher skilled and higher value added sectors.

Generally, Worcestershire benefits from a relatively well qualified workforce, with around a third of the population aged 16-64 qualified to National Vocational Qualification (NVQ) Level 4 or higher and around half of the population qualified to NVQ Level 3 or above. The proportion of the population with no qualification is just over one in ten.

Notwithstanding this relatively strong performance in terms of qualifications, a number of skills shortages have been identified including through the UK Commission's Employer Skills Survey 2011. In the UKCES survey, Worcestershire employers reported that 37% of vacancies were hard-to-fill and 26% were hard-to-fill due to skills shortage. This compares to 16% of vacancies in England which were skills shortage vacancies. In addition, employers have also noted that there is a lack of 'softer skills' amongst some of the workforce, including the right attitude, motivation and social skills. Moreover, employers have increasingly articulated the need for a stronger Higher Education offer, including in terms of engineering and manufacturing and IT and technology.

Worcestershire performs strongly in terms of school age educational attainment. The school age educational attainment, however, varies across the district with Redditch and Wyre Forest generally having lower attainment levels than the more rural parts of the County. Worcestershire has a number of excellent schools, including in the private sector. Significant progress has already been made in connecting local schools and businesses and more can be done in this area.

In terms of earnings, the median earnings for people who live in Worcestershire are 12% higher than those for people who work in Worcestershire. This difference is explained by the net out-commuting from Worcestershire to other places, particularly amongst those employed in higher paid occupations. Worryingly, this gap has widened further in recent years.

In terms of the labour market performance, Worcestershire performs well on a number of variables. For example, it has a high proportion of residents employed in higher order occupations and benefits from a relatively low unemployment rate (and thus a high employment rate). However, whilst unemployment is generally low, young people and the long-term unemployed represent an increasing share of the unemployed. Unemployment rates also vary across the County.

Income deprivation is often considered to be the most important component of disadvantage. People living on low incomes are restricted in terms of their housing choices, education opportunities and skills, and employment prospects. Just over 28,000 people (4.9% of the population) in Worcestershire live in a household with a median income less than £17,016 per annum, which is less than 60% of the median household income for England (the official Government definition of poverty). Across Worcestershire the greatest proportion of the population on a low income live in Wyre Forest, with 7,891 people representing 8.0% of the population. This is the equivalent of 9.5% of households in the area. Worcester and Malvern Hills also have a relatively high proportion of the population and households on low incomes when compared to the County average. In terms of wider deprivation, as measured by the Index for Multiple Deprivation (IMD), the higher incidences of this are concentrated in pockets in the urban areas of Worcester, Kidderminster, Redditch and Malvern (Pickersleigh).

It is rare for the IMD to highlight rural areas as deprived, since rural deprivation is often dispersed whereas in urban areas, it tends to be spatially concentrated. However, it is important to recognise that this does not mean that deprivation does not exist in rural areas. Indeed, a recent report highlights that there are almost 9,000 people in rural areas in receipt of benefits. So whilst no rural areas in Worcestershire are identified as deprived according to the IMD, residents of rural areas account for approximately a fifth of all working-age people receiving Department for Work and Pensions (DWP) benefits in Worcestershire.

Reflecting the above, an important priority for the SEP and the ESI Funds Strategy will be to create the right conditions for the existing and future workforce of Worcestershire to be deployed effectively in well paid and higher value added jobs. In particular, it will be critical to ensure that Worcestershire provides appropriate opportunities for younger cohorts to mitigate the current outflow of young talent and for older workers to extend their working lives to counter the potential adverse effects of an ageing population. It will also be important to address skills shortages, particularly in the key growth sectors. Ensuring that disadvantaged individuals and areas have access to economic opportunities through basic skills provision, employment support and infrastructure investment will also be crucial.

A summary of Worcestershire's main strengths, weaknesses, opportunities and threats, in relation to People, is set out in Table 2.3.

Table 2.3: People

Strengths	Opportunities
• Low unemployment/high employment rate • Strong school-age educational attainment • Relatively high share of skilled workers/higher order occupations	• Comprehensive HE/ FE offer linked to business needs • Improved business-school linkages and linkages to HEIs • Mobilise potential of older workers • Retention of graduates/young people • Reduced out-commuting
Weaknesses	**Threats**
• Skills deficits in engineering and manufacturing (particularly the automotive sub-sector) • Relatively low workplace-based earnings • Poor basic skills in some areas • Pockets of deprivation • Increasing youth/ long-term unemployment Net outflow of commuters – patterns vary across areas with consequential difference in residential and workplace-based incomes • Limited recent employment growth • Low levels of workplace training • Low levels of vacancies	• Ageing population – increased dependency, but also a source of labour • Supply of labour – forecast decline in 16-64 population • Out-migration of younger cohorts

2.4 WLEP Strategic Economic Plan

WLEP SEP Vision

To be an internationally recognised, highly competitive and innovative business location by stimulating investment, improving productivity and supporting the creation of sustainable economic growth and employment in Worcestershire. By 2025 to have added in total 25,000 jobs and increased GVA by £2.9 billion.

2.4.1 Existing Business Plan and progress to date

With a clear strategic framework provided by the current WLEP Business Plan, delivery underway, an emerging spatial strategy and the ongoing engagement to extend the WLEP reach to wider and diverse stakeholders, the WLEP has a robust platform from which to deliver its SEP and oversee implementation of the ESI Funds Strategy.

The WLEP launched its Business Plan "The Outlook is Bright in Worcestershire" in November 2012 which was based on extensive and widespread stakeholder engagement. The WLEP has made significant progress in developing and implementing early initiatives which are framed by four strategic objectives, namely:

- National Profile and Promotion;
- Access to Finance;
- Employment and Skills; and
- Planning, Development and Infrastructure.

In addition to cross cutting themes such as reducing regulatory burdens, the Business Plan identified a number of key sectors for Worcestershire –manufacturing, cyber security/defence, tourism, horticulture and food production and environmental technology.

The WLEP's delivery achievements to date include:

Partnership and Culture

- Establishing the strategic WLEP Planning and Development Charter in partnership with Local Planning Authorities, providing better business friendly experiences of the Worcestershire planning system.
- Developing the emerging WLEP-wide spatial plan promoting inward investment on key sites, infrastructure schemes, housing and employment/economic opportunities.
- Assisting the Game Changer Programme to support expanding indigenous businesses and/or new external investors;
- A series of Development Management initiatives to establish a business friendly planning culture.

- Strengthening rural public, private and third sector partnerships to successfully drive and deliver the current LEADER Project and the Redundant Buildings Grant Scheme with The Marches LEP (£1.5 million) focusing on creating jobs and investment in rural areas.
- Publishing the Worcestershire Manufacturing Study to shape the next stage of the WLEP manufacturing strategy and working with six other LEPs and the Sector Skills Council for Science, Engineering and Manufacturing Technologies (SEMTA) to establish a cohesive approach to workforce skills development within manufacturing, engineering and production.
- Working with Worcestershire Local Nature Partnership, public and third sector interests to realise environmental assets as positive contributors towards rural business growth (using the Natural England Local Environment and Economic Development (LEED) Toolkit).
- Working with partners to strengthen LEADER's contributions to jobs and growth while strengthening local communities in its unique community led engagement model.
- Signing the Armed Forces Convenant and working with 143 (West Midlands) Armed Forces Brigade to pioneer Midlands-wide solutions while promoting Worcestershire as a place for job opportunities, skills development and lifestyle package for exiting Armed Forces personnel.

Business Support and Information

- Working together with Worcestershire Regulatory Services, National Regulators and local SME businesses to demystify regulatory compliance alongside integrated positive business support.
- Producing a Regulators and Business Charter and delivery plan including co-ordinated business start-up and expanding regulatory support packages focusing on the agri-tech sector.
- Launching a new business-backed Access to Finance Portal which is the delivery model for a range of signposted contacts (offering a variety of funding and specialist expertise), a series of events with Find It In Worcestershire, Chamber of Commerce and other partners to support businesses in becoming "investor ready".
- Establishing Worcestershire Business Central to signpost and broker support for business start-up and growth.
- Launching a European Regional Development Fund (EFDF) funded £1.3 million resource and efficiency advice and grant programme for SMEs supporting them to improve their financial performance through energy, water and waste efficiency.

Financial

- Targeting creation of an estimated 850 jobs through Growing Places Fund projects including: Worcestershire County Cricket Club development (£1.25 million), near completion for Spring 2014; Evesham Vale Skills Centre (£0.1 million), completed;

Hoobrook Link Road (£0.9 million), completed; Evesham Country Park (£1 million); and Redditch Eastern Gateway (£1 million).
Delivery • Targeting the creation of an estimated 850 jobs through Growing Places Fund projects including: Worcestershire County Cricket Club development (£1.25 million), near completion for Spring 2014; Evesham Vale Skills Centre (£0.1 million), completed; Hoobrook Link Road (£0.9 million), completed; Evesham Country Park (£1 million); and Redditch Eastern Gateway (£1 million); • Supporting the visitor economy through Destination Worcestershire and improving tourism infrastructure in terms of high quality hotel and conference provision to meet business needs, such as the Worcestershire County Cricket Club development. • Promoting the pioneering Fladbury Tomato Nursery Anaerobic Digestor plant for the benefit of nearby Evesham rural businesses – producing and exporting natural gas and electricity to the national grid – enough to fully serve several surrounding villages. • Delivering a new Skills Academy for the collaborative Vale of Evesham Growers. • Increasing apprenticeships to 5,700 starts in 2011/12 (including a 50% increase at Level 3) through priority employment and skills initiatives. • Supporting the creation of an engineering skills facility and new National Cyber Training Centre. • Supporting the successful Pershore College bid for £4 million of Skills Funding Agency (SFA) support towards developing the first stage of the Centre of Excellence for the agri-tech sector.
Leadership • Spearheading a Cyber Security Study and a Cyber Security Strategy for Worcestershire and leading potential alliance with the West of England, Gloucestershire and The Marches LEPs. • Lobbying for and securing significant funding for major schemes such as Hoobrook Link Road and Worcestershire Transport Plan Phase 1. • Leading an innovative Schools and Business Programme where all Worcestershire secondary schools and local businesses are pioneering a structured, tailored work placement scheme throughout the year.

2.4.2 SEP

(i) Vision and strategic framework

The WLEP and its partners have been working together to develop the SEP, which extends the framework and scope of the Business Plan and sets out a broader economic vision and

ambitions for the area. It reflects the more significant roles and responsibilities the LEPs have been asked to take on. WLEP has undertaken an extensive and ongoing consultation process, which has included local, regional and national organisations, across third, public and private sectors and Government, as well as LEPs across the National LEP Network.

WLEP has formulated the SEP to ensure that Worcestershire's economy grows more rapidly and makes an increasingly important contribution to national growth.

In developing the SEP, the WLEP has considered the implications of three future scenarios or options (see Appendix F), as follows:

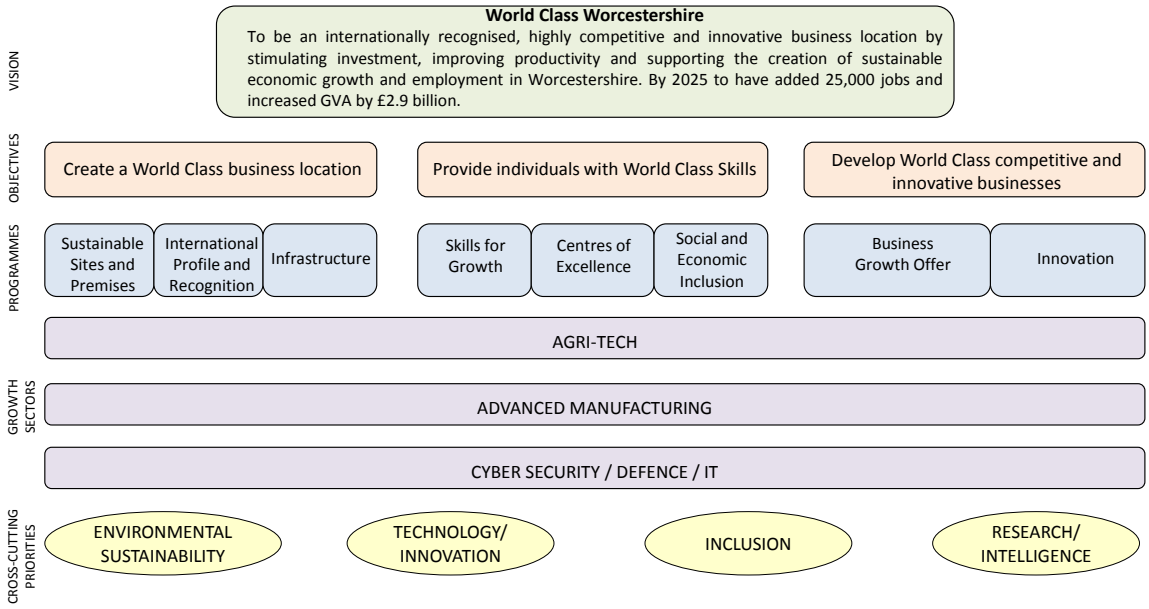
Scenario	Key assumptions
Business as Usual	The Business as Usual scenario would involve the continuing implementation of existing policies and at best achieving growth in line with the baseline projections. However, there is a significant concern that without significant supply-side improvements, even the baseline projections would be difficult to achieve.
Smart Efficiency	A Smart Efficiency scenario has also been modeled to reflect a programme of additional interventions to enhance productivity through targeting opportunities to remove barriers and enhance GVA growth, in particular in key sectors. As part of this scenario, there would be focused intervention to address both supply and demand-side issues.
Smart Efficiency and Growth	A third scenario – Smart Efficiency and Growth – has been modeled to reflect the Smart Efficiency scenario plus additional focus on infrastructure investment, inward investment, a business growth package and further interventions to address supply-side constraints.

This analysis highlighted that there is a real opportunity for Worcestershire to deliver potentially transformational change in respect of Worcestershire's future economic role and contribution to the local and national economy. The WLEP has selected the smart efficiency and growth scenario as the basis for its SEP. Previously the county has had a 'culture of contentment' and has hidden its successes, assets and achievements. The SEP represents a major step change in approach and determination by business and local government partners to change this.

Under the 'Smart Efficiency and Growth' scenario, which reflects the programme of activities proposed within the SEP, the local economy will by 2025 support approaching 290,000 jobs and generate £11.9 billion in GVA. This represents an increase of over 25,000 jobs and £2.9 billion in GVA.

The identified vision and strategic framework (Figure 2.2) is ambitious and challenging but realistic, and builds on the robust foundations of the current Business Plan and the achievements by WLEP to date.

Figure 2.2 SEP's vision, objectives and cross-cutting priorities



The SEP is fully consistent with, and will contribute to achieving, national policies for growth. The vision and strategic framework has been developed with close consideration of national policy priorities. For example:

- by creating a long-term framework for investment in key infrastructure, such as transport and housing, the WLEP SEP supports the National Infrastructure Plan (2013) and provides the foundations for growth and improved living standards;
- the focus on sector development is consistent with the Plan for Growth (2011) and the Industrial Strategy (2012). In particular, the Industrial Strategy identifies the need to develop strategic partnerships with a number of growth sectors, including advanced manufacturing and the information economy, in which Worcestershire has particular strengths. Notably, the identified growth sectors in Worcestershire also align well with those identified by the Technology Strategy Board (TSB) and UK Trade and Investment (UKTI); and
- the SEP also contributes to the Innovation and Research Strategy for Growth (2011) by creating a better environment for commercialising research and supporting business and HE/FE interaction and cooperation. Moreover, it supports the Government's aspirations to drive forward innovations across the eight great technologies, including, most notably, big data and agri-science.

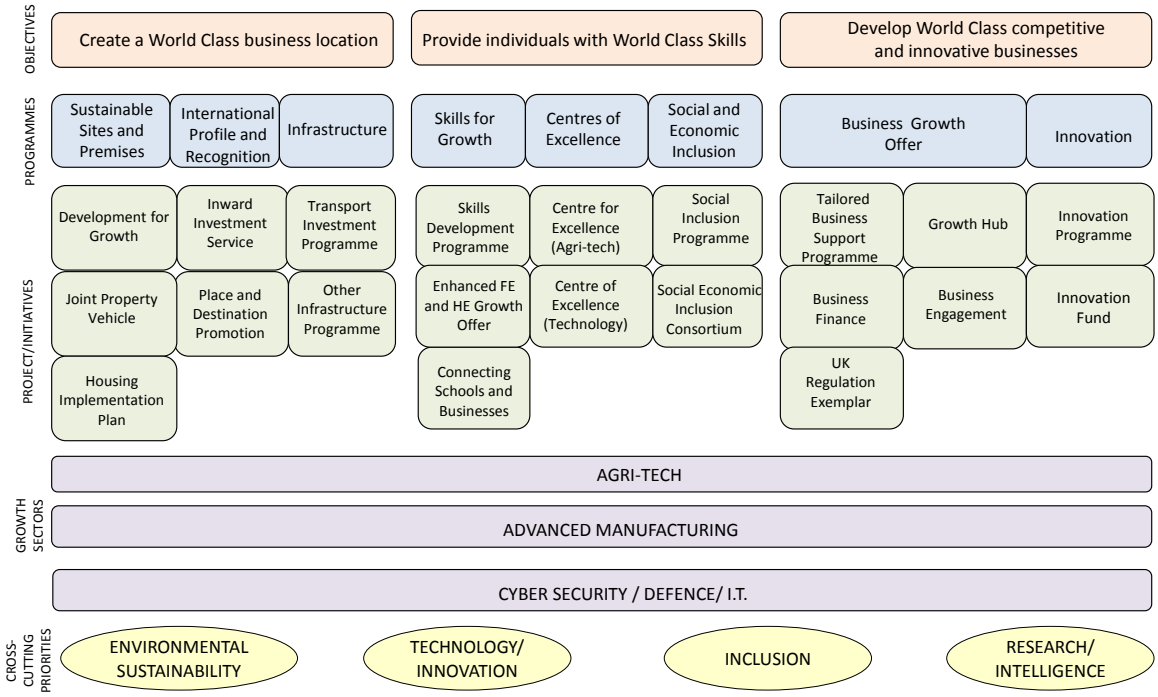
(ii) SEP Investment Plan

In terms of achieving the vision, WLEP has considered a number of alternative implementation programmes to deliver the transformational changes required under the Smart Efficiency and Growth scenario. Following consultation with the LEP Board and the local authority Leaders

Panel, a programme focusing on creating a world class business location, providing individuals with world class skills and developing world class competitive and innovative businesses has been selected. The target sectors of advanced manufacturing, agri-tech, cyber security/defence/IT (as a particular specialism within a dynamic and internationally important sector), along with the visitor and destination economy (in terms of employment) and professional and business services growth in Worcester, will be important sources of growth.

A comprehensive plan has been developed to deliver the vision which is summarised in Figure 2.3.

Figure 2.3: Delivering the vision – SEP Investment Plan



(iii) Spatial strategy

In creating a world class business location, there are important spatial issues and implications to consider in relation to the SEP, particularly given the diverse needs and potentials of different parts of the county. As such, the WLEP is developing a spatial strategy which will see growth focused on:

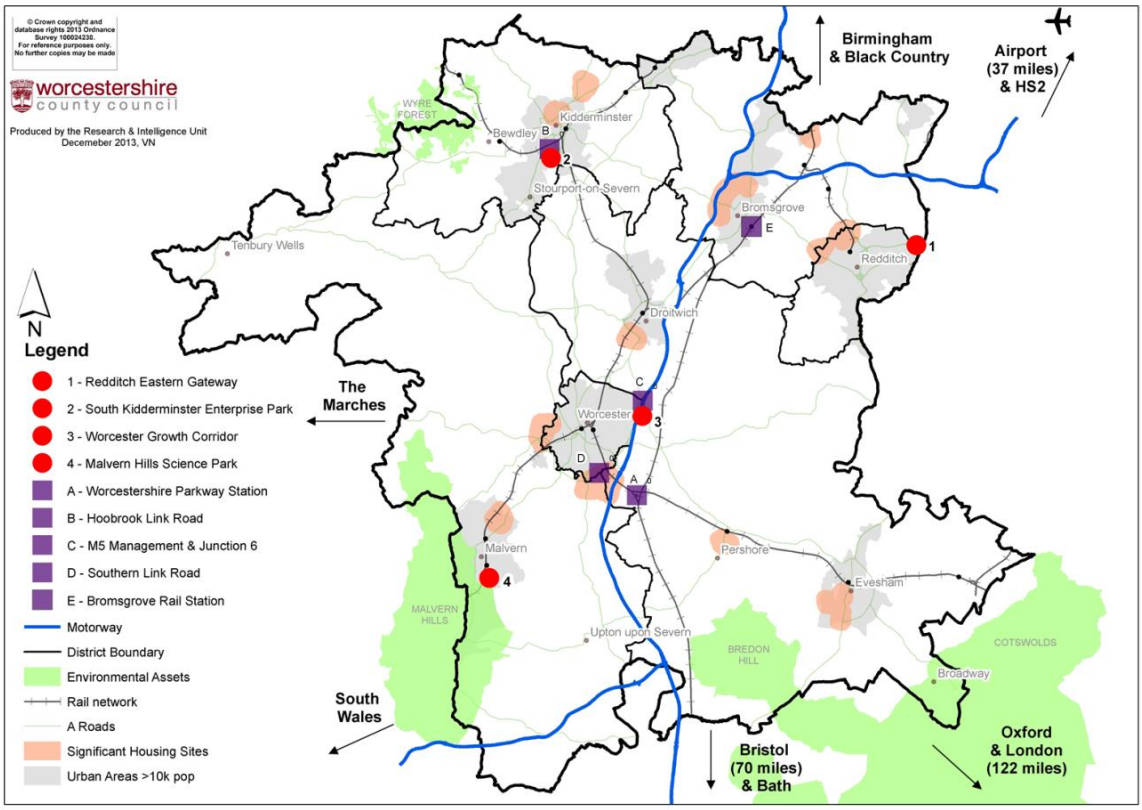
- the Game Changer Programme – key strategic sites that will be brought forward by the private and public sectors working together providing a focus for investment and growth;
- realising the full potential of Worcester city, as a destination for business and visitor investment, and the town centres of Kidderminster, Redditch, Bromsgrove and Evesham, as important centres of local growth and employment. The county town will be a

particular driver of growth with additional investment and growth in the city centre and the Worcester Growth Corridor Game Changer area which runs adjacent to the M5 between Junction 6 and 7;

- motorway corridors and junctions – including extending the 'UK Central' corridor proposals to include Junctions 2 and 3 of the M42 and the M5 corridor with major improvements to Junctions 4 and 6;
- sustainable growth and diverse enterprise in rural areas, not least the development and delivery of a coordinated plan for agri-tech focused on the Vale of Evesham;
- public transport 'nodes' – in particular, the new Worcestershire Parkway railway station, with fast links to London and the South East. In addition, establishing strong links to High Speed 2 (HS2) will be particularly important and incremental improvements to the local and commuter rail network will assist accessibility;
- growth in tandem with improving local environmental conditions, establishing the green infrastructure corridors and maintaining the look and feel of the county which is an intrinsic part of Worcestershire;
- international connections are vital to the county's competitive position. Worcestershire benefits from proximity of two major international passenger airports at Heathrow and Birmingham in addition to the Severn estuary ports and rail freight connections. Continued incremental improvement to transport accessibility to these economic drivers will be a continued priority to WLEP; and
- sustainable growth in housing focused on significant land releases and natural extension to urban areas identified in the emerging local development plans will reinforce the established hierarchy of settlements in the county.

Figure 2.4 sets out the main components of the SEP spatial strategy. It shows the location of the principle urban settlements, the Game Changer sites, major transport related priorities and the significant housing sites.

Figure 2.4: WLEP Spatial Strategy



WLEP recognises the importance of the individual development plans in order to provide a spatial framework for the area and to ensure that, through the duty to co-operate, there is a joined up approach to meeting our future aspirations. WLEP endorses the strategy, proposals and policies within the current and proposed local development plan documents which seek to promote strong economic performance and efficiency across the sub-region.

3 ESI Funds Priorities

3.1 Strategic priorities

The ESI Funds are key to delivering the SEP vision, objectives and cross-cutting priorities. Based on the analysis presented in Section 2, the consultations and the SEP, the following five priorities have been identified for the Worcestershire ESI Funds programme: SME Competitiveness; RTDI and ICT; Environment and Place; Skills; and Social and Economic Inclusion. This ESI Funds Strategy identifies the activities to be supported under each priority. These have been identified to fill gaps and complement existing provision in order to ensure high levels of additionality.

The five priorities incorporate nine EU Thematic Objectives. Appendix F sets out Logic Chains for each of the ESI Funds priorities and the selected EU Thematic Objectives, which show the linkages between the context, rationale, inputs, indicative activities, outputs and results.

In addition, the ESI Funds Strategy includes two cross-cutting themes, as required by the EU regulations – environmental sustainability and equal opportunities. (Further details about these are set out in Appendix G).

The relationship between the five priorities, the EU thematic objectives/ articles and the SEP objectives and cross-cutting priorities is shown in Table 3.1.

Table 3.1: Strategic priorities

Worcestershire ESI Funds Priorities	EU thematic objectives/articles	OP priority axes	SEP objective/ cross-cutting priorities
Research, Technological Development and Innovation (RTDI) and ICT	TO1, TO2 Article 17	1: Promoting Research and Innovation 2: Enhancing Access to, and use and Quality Of, ICT	Develop World Class competitive and innovative businesses; technology/ innovation
SME Competitiveness	TO3 Article 19	3:Enhancing the Competitiveness of SMEs	Develop World Class competitive and innovative businesses
Environment and Place	TO4, TO6	4: Supporting the Shift Towards A Low Carbon Economy In All Sectors 6: Preserving and Protecting the Environment and Promoting Resource Efficiency	Create World Class business location; environmental sustainability

Skills	TO10	2: Skills for Growth	Provide individuals with World Class skills; technology/innovation; inclusions
Social and Economic Inclusion	TO8, TO9	1:Inclusive Labour Markets	Inclusion

The ESI Funds Strategy primarily focuses on European Regional Development Fund (ERDF) and the European Social Fund (ESF). However, funding (£2,242,000) has also been allocated to the LEP from the European Agricultural Fund for Rural Development (EAFRD).

EAFRD activities will be aligned to activities funded through ERDF and ESF and will particularly support the following Worcestershire ESI Funds priorities:

- RTDI and ICT;
- SME Competitiveness;
- Skills; and
- Social and Economic Inclusion.

The following sub-measures of the Rural Development Programme have been selected for inclusion in the Worcestershire ESI Funds Strategy:

- sub-measure 4.2 - support of investments in processing/marketing and/or development of agricultural products (Art. 17); and
- sub-measure 6.4 - support for investments on creation and development of non-agricultural activities (Art. 19).

Within these sub-measures the Worcestershire LEP has particularly identified opportunities for building the knowledge and skills base in rural areas, providing funding for investments in the agri-tech sector (and the forestry sector) and supporting 'business-related' tourism activities.

3.2 Research, Development, Technology and Information (RTDI) and Information and Communication Technology (ICT)

This priority area covers the following EU thematic objectives (and EAFRD articles):

- TO1: Research, Technological Development and Innovation (£4.1m)
- TO2: ICT (£1.1m)
- Article 17: Investment in physical assets (£0.7m)

3.2.1 *Objectives and strategic alignment*

This priority aims to support the following priority axes and investment priorities from the National Operational Programme:

1. Promoting Research and Innovation (PA1)

(a) Enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest; and

(b) Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies.

2. Enhancing Access to, and use and quality of, ICT (PA2)

(a) Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy; and

(b) Developing ICT products and services, e-commerce, and enhancing demand for ICT.

3.2.2 *Activities to be supported*

Based on the evidence presented in Section 2 (and Annex C), stakeholder consultations and a review of existing programmes and projects, the following activities have been identified as being particularly relevant under this priority:

- Worcestershire Innovation and R&D Programme
  - building collaborative research between enterprises, research institutions and public institutions, including through graduate start-up schemes and spin outs;
  - support to businesses wishing to bring new products and services to the market, including those linked to the eight great technologies[7] and Worcestershire's growth sectors;
  - support to encourage social innovation;
  - innovation initiatives (for example, innovation networks, Knowledge Transfer Projects (KTPs), proof of concept, graduate placements, contract research, collaboration, innovation vouchers);

[7] The 'eight great' technologies are: big data; satellites; robotic and autonomous systems; synthetic biology; regenerative medicine; agri-science; advanced materials; and energy storage.

  - smart specialisation targeting in particular agri-tech, along with advanced manufacturing and cyber security/defence/IT; and
- Worcestershire Optimising Business ICT and Broadband Programme
  - stimulating ICT and digital technology adoption and demand;
  - supporting the cyber security/ defence/IT growth sector; and
  - providing digital connectivity support (particularly in rural areas)).

Importantly, this priority area will also be supported by activities funded under the Skills priority area. Such activities may include:

- intermediate, technical and higher level skills training, particularly in growth sectors;
- support for collaborative projects, placements, internships and apprenticeships (including higher level), such as capacity building and improvements to recruitment, assessment and facilities for training; and
- enhancing links between FE/HE providers and businesses.

Activities funded by EAFRD will also be used to support this priority area. This will particularly include funding to build the knowledge and skills in rural areas in order to enhance the human potential of persons engaged in the agricultural, food, forestry sectors, land managers and SMEs operating in rural areas. It will also include investment to support SMEs in the rural economy.

The WLEP is proposing as part of the SEP to create Centres of Excellence in relation to its key target sectors - agri-tech, advanced manufacturing and cyber security/defence/IT. In addition, it is developing an agri-tech smart specialisation programme, working with the University of Worcester, Pershore College, innovation experts and SMEs, and is proposing to launch an innovation fund to support small technology focused businesses.

3.2.3 Guiding principles for the selection and operation of activities

Activities related to RTDI will be pursued in a way that is consistent with the Smart Specialisation approach. The LEP is proposing a two tier approach to Smart Specialisation, with a joint approach being considered for the advanced manufacturing sector and its supply chain, given the size, innovative strength and importance of this sector across the five LEPs in the West Midlands. This cross LEP approach will be complemented with activities that focus on specific local circumstances and strengths, such as cyber security/defence and agri-tech.

ICT activities will, in particular, be supported where they complement public sector investment in infrastructure, for example, by stimulating demand and up-take.

Selected activities will also need to adhere to the horizontal principles of environmental sustainability and equal opportunities.

3.2.4 *Cross LEP collaboration*

There is a strong history of collaboration in RTDI and ICT activities across the West Midlands between the public, private and university sectors, including through previous structural funds programmes, which the WLEP will seek to build on. For example, WLEP has been working with others on KTPs, graduate focused schemes and proof of concept initiatives across the West Midlands.

3.2.5 *Expected outputs and results*

The expected outputs from this priority area are presented in Table 3.2 and have been derived with reference to identified benchmarks, including those circulated by Government, and past/existing projects in Worcestershire.

Table 3.2: RTDI and ICT priority - ERDF and EAFRD outputs	
ERDF outputs	
No. enterprises supported	456
No. jobs created (FTE)	13
No. enterprises co-operating with research institutions	91
No. enterprises supported to introduce new to the market products	13
No. enterprises supported to introduce new to the firm products	29
No. additional enterprises accessing ICT products and services including broadband	38
Private investment matching public sector support to enterprises (£)	341,186
EAFRD outputs	
No. jobs created	24
No. people trained	1,500

This priority will also contribute towards delivering the following ERDF and EAFRD results indicators:

- businesses actively innovating to bring new products to the market;
- increase in SME productivity;
- increase in SME jobs created;
- smart specialisation;
- support for enterprises in development of ICT products and services including broadband; and
- encouraging the competitiveness of SMEs

3.3 SME Competitiveness

This priority area covers the following EU thematic objectives (and EAFRD articles):

- TO3: SME Competitiveness (£12.4m)
- Article 19: Farm and business development (£1.4m)

3.3.1 Objectives and strategic alignment

This priority aims to support the following priority axes and investment priorities from the National Operational Programme:

3. Enhancing the Competitiveness of SMEs

(a) Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;

(c) Supporting the creation and the extension of advanced capacities for product and service development; and

(d) Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes.

3.3.2 Activities to be supported

The following activities have been identified as being particularly relevant under this priority, based on the evidence presented in Section 2 (and Annex C), stakeholder consultations and a review of existing programmes and projects:

- Worcestershire Entrepreneurship and Business Growth Programme
  - promoting entrepreneurship and self-employment, including among underrepresented groups and in schools and HE/FE institutions
  - supporting start-ups;
  - provding investment readiness support;
  - reducing regulatory burden/positive regulatory support;
  - supporting social enterprise start-ups and expansions;
  - raising the growth ambitions of SMEs and supporting the development of growth strategies;
  - supporting SMEs in reaching new domestic and international markets;
  - strengthening supply chains;
  - improving productivity and resource efficiency;

- Worcestershire Finance for Business Programme
  - increasing the provision of loans and equity finance (with elements locally run); and
  - providing start-up finance, including early stage equity, venture capital and proof of concept.

Importantly, this priority area will also be supported by activities funded under the Skills priority area. Such activities may include:

- leadership and management training;
- support for collaborative projects, placements, internships and apprenticeships (including higher level), such as capacity building and improvements to recruitment, assessment and facilities for training;
- enhancing links between schools, FE/HE providers and businesses.

Activities funded by EAFRD will also be used to support this priority area. This will particularly include funding for investment to support SMEs in the rural economy, including agri-tech enterprises. It will also be used to support co-operation among small operators in organising joint work processes and sharing facilities and resources, and for developing/ marketing 'business-related' tourism.

There will also be strong degree of complementarity and alignment with activities funded under the RTDI and ICT (for example, SME support in relation to RTDI and ICT) and the Environment and Place priorities (for example, SME resource efficiency).

WLEP is proposing as part of the SEP to further develop the Growth Hub in order to deliver comprehensive support to business, building on the existing Worcestershire Business Central. It is also developing, amongst other things, a Green Business Offer.

3.3.3 Guiding principles for the selection and operation of activities

A critical component of supported activities will be the targeting of SME support in order to ensure that it delivers the best value for money. Not all SMEs will receive the same level and type of support. Those businesses that have growth potential will be offered a more intensive package of assistance. Growing businesses in the target sectors will receive the greatest level of support.

Therefore business support provided to SME will vary based on the following criteria:

(i) basic support (accessible through the Enterprise Hub) will be available across all sectors. This support will be available either through the online portal or alternatively in some cases may be through phone-based support;

(ii) additional support will be available for growing companies (including through the Growth Accelerator and UKTI). In these cases businesses may well be offered face-to-face support; and

(iii) more intensive assistance and tailored support will be available for new and existing companies in identified growth sectors. In these cases, the SMEs will be allocated an account manager with specific packages of assistance being developed as appropriate.

Funded activities will include both financial (e.g. grants, loans and equity finance) and non-financial support (e.g. business support and information, advice and guidance).

Activities will be encouraged to ensure a suitable balance of support across urban and rural areas and involve disadvantaged and/or underrepresented groups in order to support equal opportunities. Where relevant, activities should also embed environmental sustainability. Support will be available to micro-businesses, which is important in rural areas.

3.3.4 Planned use of financial instruments

WLEP is keen to make use of financial instruments in the 2014-20 ESI Funds programme to underpin its growth strategy and bridge gaps in the private sector. It recently part-funded a project that explored the gaps and the market failures in the SME finance market, as well as the priorities for and the likely level of demand for financial instruments - "*The case for West Midland LEP Collaboration on Financial Engineering Instruments under the EU 2014-20 Structural Funding Budget Programme"*. WLEP, together with other LEPs and partners, is proposing to establish a local loan fund, as well as collaborating as part of a wider equity finance scheme (Joint European Resources for Micro to Medium Enterprises (JEREMIE) type fund-of-funds). WLEP will also consider the use of local access to a finance scheme.

The cross-LEP report mentioned above, published in November 2013, was based upon an extensive high level ex-ante assessment of the case for the nature and scale of public sector backed financial engineering instruments in the West Midlands. The report sets out a detailed assessment of regional 'needs' based upon three sources of empirical evidence:-

- National – Section 3 of the report considers the subject of market failures in the private sector market for the provision of finance from a National perspective. Section 4 of the report goes on to consider national public sector interventions in this market and detailed data on these interventions is set out in Appendix B of the report;
- Regional – Section 5 of the report sets out data on regional public sector interventions in the access to finance market, paying special attention to the performance of historic and ongoing public sector interventions supported by AWM. Section 7 of the report explores public sector backed access to finance interventions in other comparable industrial regions of the UK and Appendix A of the report sets out the data on the relative size, structure and economic demands of those comparable regions; and
- Local – Appendix C of the report sets out the findings of a detailed survey undertaken within the West Midlands market on the 'gaps' in the local access to finance market and the priorities attached to each.

The report concludes that (based upon all three sources of evidence) there is a compelling case for the establishment of a large scale fund-of-funds within the West Midlands region.

The WLEP acknowledges that as the development of this project progresses and the economic landscape changes, the details of the sub-funds are further developed and other national/regional financial instruments enter the market; the need for further ex-ante assessment work may well be required. The WLEP is also aware that the EU Commission has published a detailed methodology on the requirements for the required ex-ante assessment and the evidence based that will be built will be in line with this publication. A provision for additional ex-ante assessment has accordingly been incorporated within the draft project plan set out below). The WLEP is also aware of the proposal that the further ex-ante assessment work may be conducted by the European Investment Bank (EIB) and is fully supportive of this approach.

The cross-LEP sub-group, with the full support and engagement of all of the participating LEPs, is making good progress with the development of the Fund-of-Funds Programme:

- the general guidelines for the regional investment targets (minimum and maximum) have been agreed;
- an application to BIS for the repatriated use of the AWM legacy funds as part of this programme has been submitted;
- the 'in-principle' consent of BIS to the partial (£36k) use of the AWM legacy funds towards the costs of the design and development stage of this project has been secured;
- the BIS contribution of £36k towards the design and development costs phase will be matched by a similar (£36k) contribution from the participating LEPs (the LEP contributions have been committed);
- an application to the GDT for these cost contributions to be used in conjunction with (£36k) TA support through an extension to an existing project is also under active consideration;
- this design and development phase of the project will be procured and managed by Birmingham City Council (BCC) acting in the capacity of an Accountable body;
- further research has been undertaken and is ongoing on the approach and the preferred model for the management of the sub-fund managers;
- the general principles of the corporate governance structure have been drafted and are under discussion;
- an outline project plan/timetable has been drawn up (Appendix K); and
- a draft budget for the costs of the design and development stage and a provisional estimate of the full costs establishing the programme has been developed.

3.3.5 Cross LEP collaboration

The WLEP is an active member and participant in the West Midland wide Access to Finance ('A2F') advisory body known as the Regional Finance Forum (RFF). During 2012, the RFF established the West Midlands cross-LEP access to finance sub-group. The mission of the cross-LEP sub-group is to keep fellow LEPs 'informed' on relevant A2F initiatives in the region and

where possible to broker 'collaboration' between the LEPs on A2F projects. The membership of the Sub-Group comprises one representative for each of the six West Midland LEPs together with observer representatives of BIS, DCLG and the British Business Bank.

The WLEP is also having discussion with Gloucestershire LEP, The Marches LEP and the West of England LEP about a coordinated approach to the cyber/defence sector. In addition, the WLEP is working with Greater Birmingham and Solihull LEP to ensure an integrated and co-ordinated approach more broadly.

3.3.6 Expected outputs and results

Table 3.3 sets out the expected outputs from this priority area.

Table 3.3: SME business competitiveness - ERDF and EAFRD outputs	
ERDF outputs	
No. enterprises supported	2283
No. new enterprises supported	461
No. jobs created (FTE)	465
No. enterprises supported to introduce new to the firm products	143
Private investment matching public sector support to enterprises (£)	6,075,087
EAFRD outputs	
Jobs created	88

This priority will also contribute towards delivering the following ERDF results indicators:

- Increase in business start-ups;
- increase in SME productivity;
- increase in SME jobs created; and
- SMART specialisation.

3.4 Environment and Place

This priority area covers the following EU thematic objectives/articles:

- TO4: Low carbon (£5.9m)
- TO6: Environment (£1.3m)

3.4.1 Objectives and strategic alignment

This priority aims to support the following priority axes and investment priorities from the National Operational Programme:

4. Supporting the shift towards a low carbon economy in all sectors

(a) Promoting the production and distribution of energy derived from renewable sources;

(b) Promoting energy efficiency and renewable energy use in enterprises;

(c) Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;

(e) Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures; and

(f) Promoting research and innovation in, and adoption of, low-carbon technologies.

6. Preserving and Protecting the Environment and Promoting Resource Efficiency

(d) Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure;

(f) Promoting innovative technologies to improve environmental protection and resource efficiency in the waste sector, water sector and with regard to soil, or to reduce air pollution.

3.4.2 Activities to be supported

- Based on the evidence presented in section 2 (and Annex C), stakeholder consultations and a review of existing programmes and projects, the following activities have been identified as being particularly relevant under this priority: Worcestershire Sustainable Places and Sites Programme
    - 'greening' the Game Changer and other sites through support to promote environmental sustainability;
    - sustainable agriculture/horticulture initiatives securing multiple benefits of resource protection, resilience to climate change, environmental enhancement and added product value;
    - investing in flood risk management;
- Worcestershire Low Carbon and Resource Efficiency Programme
    - supporting retro-fit initiatives;
    - supporting resource efficiency and energy performance improvements;
    - developing low carbon R&D and innovation; and
    - adopting of renewable and low carbon fuels for energy consumption.

Importantly, this priority area will also be supported by activities funded under the Skills priority area. Such activities may include training, apprenticeship and employment support in areas related to the LCEGS sector.

3.4.3 Guiding principles for the selection and operation of activities

WLEP has been working closely with the Worcestershire Local Nature Partnership (LNP) and other organisations to develop programmes and projects. For example, it has been working with the LNP and Natural England to develop the Local Environment and Economic Development (LEED) toolkit. The LEED toolkit offers an easy-to-use, technically robust, systematic and proportionate way of making sense of environmental information in relation to economic planning in order to reveal opportunities and threats and to consider appropriate responses to them.

3.4.4 Cross LEP collaboration

Again, there is a strong history of collaboration in the low carbon economy, climate change, and the natural environment across the West Midlands between the public, private and voluntary sectors. WLEP is building on this and working with LEPs and other organisations to develop cross-LEP programmes to deliver the low carbon theme and related priorities. Opportunities to achieve economies of scale and scope are being explored in relation to programmes, such as low carbon business, innovation, energy, procurement and green infrastructure hubs.

3.4.5 Expected outputs and results

The expected outputs from this priority area are presented in Table 3.4. Again these have been estimated using benchmarks, including those circulated by Government, and past/existing projects in Worcestershire.

Table 3.4: Environment and Place – ERDF outputs

ERDF outputs	
No. enterprises supported	384
No. new enterprises supported	14
Estimated annual decrease of Greenhouse Gases (GHG) (Tonnes of CO^2 equiv)	4154
No. of companies supported with business resource efficiency	62
Infrastructure site development including Green Infrastructure (GI) (Ha)	45

This priority will also contribute towards delivering the following ERDF and EAFRD results indicators:

- an increase in the energy efficiency of companies, buildings and transport
- an increase in companies deploying low carbon practices, processes, services or products

- improving the economic viability of areas through infrastructure investments including green infrastructure
- supporting the move to a Low Carbon economy.

3.5 Skills

This priority area covers the following EU thematic objectives:

- TO10: Skills (£12.4m)

3.5.1 Objectives and strategic alignment

This priority aims to support the following priority axes and investment priorities from the National Operational Programme:

2. Skills for Growth

- (TO10IPiii) - Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences; and
- (TO10IPiv) - Improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening vocational education and training systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work-based learning systems, including dual learning systems and apprenticeship schemes.

3.5.2 Activities to be supported

The following activities have been identified as being particularly relevant under this priority, based on the evidence presented in section 2 (and Annex C), stakeholder consultations and a review of existing programmes and projects:

- Worcestershire Skills for Growth Programme:
  - career guidance and validation of acquired competences;
  - establishing mechanisms for skills anticipation;
  - adapting the curricula; and establishing and developing work based learning systems, including dual learning systems and apprenticeship schemes;
  - improving the collaboration between employers and education and training providers;
  - supporting access to lifelong learning, skills upgrading and workforce trainings (e.g. addressing general, area and/ or sector-specific skills issues); and
  - enhancing Skills Funding Agency (SFA) services through 'Opt in' Programme.

3.5.3 *Guiding principles for the selection and operation of activities*

Focus will be on youth skills and youth unemployment, in particular, in areas where the levels of youth unemployment are high, such as Wyre Forest. In addition, there will also be an emphasis on older age cohorts to ensure that they have the necessary skills and are available as part of the local labour force.

WLEP has identified a specific issue in relation to Level 4 apprenticeships and building on its existing work with schools, wishes to work with the National Careers Service to establish clear pathways into work. In addition, it is also keen to ensure SME's can access support for apprenticeships, skills, training and development.

WLEP will also work with partners in the private, public and third sectors to ensure that employment and skills programmes are developed and implemented to support social inclusion. In relation to pre-NEETs and NEETs the approach will, for example, reflect the future impact of Raising the Participation Age (RPA) on the target age ranges and recognise the interdependencies with the Youth Contract.

There will continue to be a focus on developing higher level skills and on the FE and HE contribution. Support will be tailored to reflect spatial differences within Worcestershire. This will include variations between the north and south, as well as urban and rural areas. Specific issues such as home working will also be addressed. Assistance will be available in terms of personalised support, pre-employment programmes and assistance to access opportunities.

In addition to locally-run projects, WLEP has also committed a substantial share of funding to the SFA 'Opt-In' programme. As such, the SFA will play an important role in the procurement of skills activity in Worcestershire.

3.5.4 *Cross LEP collaboration*

WLEP and its partners have recently developed a Worcestershire Employment and Skills Strategy, which will guide investment in this priority. Specific current activities include work to develop the transferrable skills of those leaving the Armed Forces and work with the West Midlands and Liverpool City Region LEPs in relation to engineering skills. In relation to the former, this has involved WLEP working with local businesses and the Armed Forces to develop a pilot project around the re-employment and skills development for existing personnel, Armed Forces as well as the potential for reservists.

3.5.5 *Expected outputs and results*

Table 3.5 sets out the expected outputs from the Skills priority area.

Table 3.5: Skills - ESF outputs	
ESF outputs	
No. of participants	13,180
No. of participants over 50 years old	3,000
No. of participants from ethnic minorities	720
No. of participants with disabilities	920
No of participants without basic skills	2,320
No of micro and SMEs supported	230

This priority will also contribute towards delivering the following ESF results indicators:

- participants in education/training upon leaving;
- participants gaining a qualification upon leaving; and
- participants in employment upon leaving.

3.6 Social and Economic Inclusion

This priority area covers the following EU thematic objectives:

- TO8: Employment (£7.1m)
- TO9: Social inclusion (£4.0m)

3.6.1 Objectives and strategic alignment

This priority aims to support the following priority axes and investment priorities from the National Operational Programme:

1. Inclusive Labour Markets

- (TO8IPi) - Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility;
- (TO8IPii) - Sustainable integration into the labour market of young people, in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee;
- (TO9IPi) - Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability.

3.6.2 *Activities to be supported*

- Based on the evidence presented in section 2 (and Annex C), stakeholder consultations and a review of existing programmes and projects, the following activities have been identified as being particularly relevant under this priority: Worcestershire Social Inclusion and Employment Programme
    - supporting a reduction in the number of people at risk of poverty and exclusion;
    - providing employability support for inactive and unemployed people facing multiple disadvantages;
    - supporting low-skilled/ low paid workers to increase chances of better paid employment and to reduce income deprivation;
    - supporting locally developed community programmes; and
    - providing a tailored Big Lottery 'opt in' programme.
    - supporting the employability of unemployed and economically inactive people (e.g. tackling youth unemployment; supporting older workers; tackling long-term unemployed; and assisting other disadvantaged groups (such as Black and Minority Ethnic groups, lone parents, those with health problems and those with no qualifications); and
    - enhancing Department for Work and Pensions (DWP) services through the 'Opt-In' Programme.

3.6.3 *Guiding principles for the selection and operation of activities*

There is a need to ensure that economic success is shared and that social inclusion and deprivation are tackled. This priority is focused at ensuring diverse groups, communities of interest and disadvantaged areas can access economic opportunities.

The WLEP will encourage actions that ensure disadvantaged individuals and communities of interest, whether due to poverty, gender, age or other characteristic, can access economic opportunities. It will help those that are furthest from the labour market.

Activities will target linkages between areas of opportunity and need. Early considerations indicate that social and economic inclusion can be tackled through linking key areas of opportunity and need, as well as non-geographic actions.

As with the private sector, the civil society sector comprises diverse offers and solutions, some elements providing a third sector SME/social enterprise delivery route through public sector procurement and supply chains of growing significance. A self-sustaining local social enterprise consortium is currently bringing all social enterprises, support networks and interests together to consolidate and co-ordinate successful front-line activities. The consortium is targeting increased competitiveness and opportunities of existing social businesses as well as helping nurture start-up businesses which is proving to be a growing trend. Worcestershire

organisations working together are currently co-designing a social and economic inclusion and innovation model which will inform the WLEP's investment decisions. The model will focus on the individual rather than communities. The third sector will be key in delivering this model.

3.6.4 Expected outputs and results

The expected outputs from social and economic inclusion priority are set out in Table 3.6.

Table 3.6: Social and Economic Inclusion - ESF outputs	
ESF outputs	
No. of participants	10,300
No. of unemployed (including long-term unemployed) participants	8,180
No. of inactive participants	3,460
No. of participants aged 15 – 24	2,010

This priority will also contribute towards delivering the following ESF results indicators:

- inactive participants newly engaged in job searching upon leaving;
- participants in education/training upon leaving;
- participants gaining a qualification upon leaving;
- participants in employment upon leaving; and
- participants engaging in positive activities that address barriers to work.

3.7 Cross cutting themes: environmental sustainability and equal opportunities

The European Commission's adopted legislative proposals for Cohesion Policy for 2014-2020 identify a series of common principles applicable to all Funds. These include the promotion of equality between men and women and non-discrimination; and sustainable development. The WLEP ESI Funds Programme embeds the two cross-cutting themes of **environmental sustainability** and **equal opportunities** within it. These follow on and build upon the similar themes and experience developed through the West Midlands European Competitiveness and Employment programme 2007-2013[8]. The cross cutting themes are integral to the Worcestershire ESI Funds Strategy and projects funded through the Programme will be expected to embed best practice in both themes as appropriate. Specific proposals for the integration of cross cutting themes will be developed during the course of establishing and developing Programme Priorities, although the WLEP is already establishing working groups of

[8] Regional Competitiveness and Employment Objective 2007 – 2013 West Midlands European Regional Development Fund Operational Programme

experts that will be developing the environmental sustainability and equal opportunities cross-cutting themes.

3.7.1 Environmental Sustainability

Environmental sustainability is of central importance to the achievement of the SEP and ESI Funds Strategy objectives and has been at the heart of partnership working across Worcestershire since the early 1990s. The quality of the natural landscape and built environment is a major asset of the local area and its economy. It enhances the quality of life of people who live and work in Worcestershire and helps to attract (and retain) residents, visitors, businesses and investors.

The Programme will therefore seek to minimise waste and conserve resources through a sustainable approach. At the same time, it will recognise the requirements for sustainable development that protects the area from damaging development and land use activity, and enhances biodiversity and diverse and important environmental, landscape, townscape and historic features and characteristics.

The future growth of businesses involved in low carbon and environmental goods and services (LCEGS) is a key element of the SEP and the ESI Funds Strategy. Valued at over £1 billion in terms of sales and growing at some 4.9% per annum, it has been estimated that more than 7,600 jobs and over 400 businesses in the County are directly involved in LCEGS. These activities cross many sectors – including, in particular, the advanced manufacturing and agri-tech growth sectors.

Worcestershire Local Nature Partnership (WLNP) is leading the environmental sustainability networks across Worcestershire and working through its well-formed relationships and a range of private, public and third sector interests to further advance Worcestershire's natural qualities and built heritage. The WLEP and WLNP have a well-established strategic relationship and collaborate to tackle priorities of mutual advantage through the SEP and ESI Funds Strategy and WLNP Business Plan processes. The relationship is robust enough to resolve any potential future differences through constructive dialogue and practical solutions.

WLEP and WLNP have used the Natural England Local Environment and Economic Development (LEED) Toolkit to identify environmental assets that can make positive contributions towards WLEP's business growth and jobs ambitions. A Five Point Framework to develop priority initiatives and a pipeline of projects has been produced under the following headings:

- Sustainable development;
- Worcestershire Brand - Tourism and Inward Investment;
- "Made in Worcestershire" Agri-tech Sector;
- Sustainable Training and Skills – sustainable development and sector oriented; and
- Water and environmental impacts.

Environmental sustainability is also currently being developed through the Core Strategies of the Worcestershire districts, and these existing approaches will provide a framework for the ESI Funds Programme.

Examples of current and new initiatives through which a joint agenda on environmental sustainability will be pursued and developed further include:

- WLNP inputting to work on the Game Changer programme to integrate sustainable development principles from concept to delivery;
- Worcestershire's successful LEADER Project which engages rural communities and third sector groups in rural initiatives. WLEP and LEADER partners are working together currently to strengthen LEADER's contributions to growth and jobs while strengthening local communities using a unique community-led engagement model;
- building an Agri-tech sector focus by working with farming and horticulture businesses; independent producers and retailers of locally-provenanced food; food processing and distribution companies; rural sector social entrepreneurs and SMEs to shape a detailed growth strategy which steers sectoral investment priorities;
- Worcestershire Regulatory Services and national regulators working together with local rural businesses to 'demystify' regulatory compliance for rural businesses with positive business support;
- an EU-funded Resource Efficiency Programme to encourage businesses to realise waste and energy efficiencies and become more competitive;
- development of a Water Quality Knowledge Transfer Hub servicing the land-based economy with information and research on issues such as water abstraction and water quality, as well as a potential for developing new products and services to sell elsewhere. Collaborations are underway between University of Worcester, EA, Severn Trent, Worcestershire Wildlife Trust, NFU, CLA and others;
- development of a Centre for Ethical and Sustainability Leadership. The University of Worcester has already integrated sustainable and social entrepreneurship across all courses and is working with local businesses and sustainability networks to develop new environment and ethical skills leadership skills for all businesses and not just the 'green' sector. Packages of support to enhance carbon reduction, sustainable practise and the development of the green economy will be integral; and
- other initiatives including a new Skills Academy for the collaborative Vale of Evesham Growers and a development of the Fladbury Tomato Nursery Pioneering Anaerobic Digestor plant for the benefit of nearby Evesham rural businesses.

3.7.2 Equal opportunities

In terms of equal opportunities, the Programme will promote gender equality, together with the importance of preventing discrimination on the basis of sex, racial or ethnic origin, religion, disability, age or sexual orientation. The Programme will seek to reduce inequalities at all levels

within Worcestershire and the purpose of the equal opportunities cross cutting theme will be to highlight opportunities to do so and encourage the benefits arising from them to be maximised. The overall aim will be to secure economic and jobs growth through appropriate investment and to link opportunities and need; respecting individuals' gender, race, disability, age, religion and sexual orientation. Under the equal opportunities theme, the Programme will support a range of actions under the Skills and Social and Economic Inclusion priorities, including tackling youth unemployment, supporting older workers, tackling long-term unemployed, assisting other disadvantaged groups, supporting the achievement of specific skills/qualifications, and enhancing the services of the Big Lottery Fund, Skills Funding Agency and the Department for Work and Pensions through their 'Opt-In' programmes.

Successful implementation of the cross cutting themes will require that they are embedded through all stages of the Programme and project lifecycle through: governance, development, appraisal, selection, and monitoring and evaluation. The integration of cross cutting themes will be the subject of monitoring and evaluation over the life of the Programme, and these will form part of the Programme's overall monitoring and evaluation. Where appropriate, case studies of good practice will be developed.

Under the provisions of the technical assistance procedure, funds will be available to support such activities which grow the understanding, commitment and capacity of management bodies and beneficiaries to effectively implement the cross cutting themes.

Further details about the emerging cross cutting theme provisions and actions are set out in Appendix G. In working across the wide ranging civil society, voluntary and community interests in Worcestershire, former entrenched positions and older patterns of thinking across the third, public and private sectors are shifting noticeably and substantially. The new Social Economic Consortium Model and its innovative social re-investment feature offer exciting and cohesive opportunities to align local-to-national efforts and resources through an effective commissioning and delivery vehicle. There will still be opportunities for other initiatives to developed and delivered through the Social Inclusion Programme, as well as other partners' commitments such as the NHS and local government family.

4 Financial Allocations

4.1 Allocation

The WLEP allocation, including EAFRD, is some £50.4 million (€70.9 million). Table 4.1 summarises the proposed annual spending profile.

Table 4.1: Proposed annual spending profile - £ million

	2014	2015	2016	2017	2018	2019	2020	Total
Main allocation	0.0	12.4	6.3	6.5	6.6	6.7	6.9	45.3
Performance reserve (6%)	0.0	0.7	0.4	0.4	0.4	0.4	0.4	2.8
Total	**0.0**	**13.1**	**6.7**	**6.9**	**7.0**	**7.1**	**7.3**	**48.1**

As per MA guidance, the exchange rate used is €1=£0.71.

This ESI Funds Strategy is based on Worcestershire's funding allocation. However, the WLEP strongly believes it has the capacity and capability to bring forward further programmes and projects to meet the business needs of the County and deliver additional economic growth and jobs in a way that would represent good value for money.

The WLEP's greater ambition would require a larger ESI Funds allocation, as well as negotiating match funding from other local and national funding sources. The WLEP will work with partners and stakeholders to further define and develop its programme, including schemes which can deliver more than the current allocation allows.

4.2 Thematic objective allocation

Table 4.2 summarises the ERDF and ESF allocation by thematic objective. These allocations will be reviewed and may need to be revised as the programme is further developed and, in particular, discussions continue with 'opt-in' service providers. Further details of the proposed funding are set out in the separate accompanying spreadsheet.

Table 4.2: ERDF, ESF and EAFRD allocation by thematic objective			
Thematic objective	**ERDF**	**ESF**	**Total**
TO1 – RTDI	£4,068,052	-	£4,068,052
TO2 – ICT	£1,128,395	-	£1,128,395
TO3 – SME competitiveness	£12,373,182	-	£12,373,182
TO4 – Low carbon	£5,863,815	-	£5,863,815
TO6 – Environmental protection	£1,286,090	-	£1,286,090
TO8 – Employment	-	£7,051,129	£7,051,129
TO9 – Social inclusion	-	£3,959,292	£3,959,292
TO10 – Skills	-	£12,395,295	£12,395,295
Total	**£24,719,534**	**£23,405,715**	**£48,125,249**

As per MA guidance, the exchange rate used is €1=£0.71.

Table 4.3: EAFRD allocation by sub-measure (£)	
Sub-measure	**Total**
4.2 - Support of investments in processing/marketing and/or development of agricultural products.	£747,333.00
6.4 - Support for investments on creation and development of non-agricultural activities.	£1,494,667.00
Total	**£2,242,000**

The allocation of funding across the thematic objectives is based on an assessment of opportunities and needs, whilst also adhering to the minimum spend requirements in the draft EU regulations. It reflects the priorities identified through the formulation of the SEP, the consultations and the emerging programme and project proposals, including those identified through the WLEP call for illustrative projects.

4.3 'Opt-in' model

The WLEP Board has decided to provisionally accept the following 'opt-in' offers which are, as confirmed by the Department for Communities and Local Government, subject to the satisfactory outcome of on-going negotiations:

- The Skills Funding Agency (SFA);
- The Big Lottery (for Social Inclusion); and
- Department for Work and Pensions (DWP).

Discussions are continuing regarding the precise nature of the service to be provided in Worcestershire in order to ensure that they are tailored to local needs and priorities and to understand the expected outputs and results that will be delivered. Once the level and nature of the service to be provided has been agreed, WLEP will confirm acceptance of the offer and contract with the provider, including agreeing suitable break clauses in each agreement. It will then monitor the performance of each 'opt-in' service providers.

4.4 Match funding

The WLEP has been developing a funding plan for its SEP and ESI Funds Strategy. It has issued a call for illustrative projects and has been appraising the responses against the following criteria:

- Strategic fit;
- Deliverability;
- Value for money; and
- Integration of cross cutting themes.

In total 70 illustrative projects were submitted.

The estimated match funding by source is summarised in Table 4.4. This assessment is based on a review of past performance, discussions with partners and an analysis of the emerging programme and project proposals, including those identified through the responses to the call for illustrative projects. It is expected that a large proportion of the public sector match funding will be sourced from Worcestershire County Council and the constituent District Councils.

In line with the Supplementary Guidance to LEPs we have not recorded match funding for EAFRD.

Table 4.4: Match funding

	£
ERDF source of match	
Public	7,532,918
Private/ civil society	15,708,820
Sub total	24,719,534
Public	6,280,337
Private/ civil society	1,833,198
Opt-in	12,041,370
Sub total	23,405,715
Total	**48,125,249**

4.5 Financial instruments

Following a detailed joint feasibility study, WLEP has agreed to join with other West Midlands LEP's to create a Financial Engineering Instrument (FEI), which will build upon the lessons learned and expected returns of the Advantage West Midlands legacy funds. It will invest some £5.6 million of the Worcestershire ESI Funds Programme in the proposed 'Fund of Funds'. Further details of the WLEP FEI Strategy are included at Appendix H.

4.6 Technical assistance

WLEP will use Technical Assistance funding to ensure the effective and efficient delivery of the Worcestershire ESI Funds Strategy.

4.7 Greater Birmingham and Solihull LEP

Since the North Worcestershire area (comprising Bromsgrove, Redditch and Wyre Forest districts) is part of both the WLEP and the Greater Birmingham and Solihull LEP areas, collaboration across the two LEPs is fundamental in ensuring the effective and efficient investment in the overlapping area. Both LEPs have complementary offers and the common aim is to reinforce each LEP's ambitions, as well as establish maximum advantage for local businesses.

The WLEP and Greater Birmingham and Solihull LEP have forged a mutually constructive working relationship since their inception where Chairs, Board Members and Executive Officers exchange views and participate in respective workshops and Sub Groups on a regular basis. North Worcestershire is represented on both LEP Boards, as well as through officer level involvement in parallel mechanisms, which have overseen the development and delivery of both the SEP and the ESI Fund Strategies. This arrangement has already proved invaluable in supporting initiatives of joint interest such as aligning co-funding through Growing Places to support the Hoobrook Link Road Scheme in the Wyre Forest District Council area which opens up significant employment and housing land opportunities.

The primary concern of both LEPs is to stimulate economic growth and create jobs. In doing this they recognise that businesses must be able to access prompt, assured and consistent support services, help and advice whichever sign posted route they pursue. It is the confirmed intention of both LEPs that the operating landscape for businesses is simple, co-ordinated and effective and responsive and there is a mutual LEP commitment in delivering results and achieving real impacts to meet business needs.

Both LEPs have established excellent engagement with business networks and representative organisations across the private sector in Worcestershire. It is also significant that both Birmingham Chamber of Commerce and Herefordshire and Worcestershire Chamber of Commerce have established a formal agreement and are working together collaboratively alongside both LEPs which means that private sector interests are represented in a consolidated way.

A Protocol Agreement has been developed and agreed by both LEPs as illustrated below. It will join-up common programmes and initiatives to strengthen business and job opportunities as well as respecting unique LEP offers which would meet diverse needs in specific localities in either LEP. The agreement will also ensure that there will be neither duplication nor gaps in services and offers by both LEPs' activities. The agreement provides a robust framework within which barriers to growth will be removed, innovations nurtured and mutually beneficial outcomes realised which is testament to our good working relationship. The formal agreement will be countersigned by both LEP Chairs following final approval at the next GBS LEP and WLEP Board meetings.

Protocol Agreement Aim: WLEP and GBSLEP working together to achieve economic growth and job creation in North Worcestershire

Protocol Principles: The framework for respective LEP commitments to North Worcestershire are based on the following principles:

- co-ordinating strategic ambitions, sectoral and delivery priorities where possible;
- synchronising business support by aligning LEPs' local programmes and services to provide consistent responses and delivery to businesses as much as practically possible;
- working jointly through local business engagement mechanisms with North Worcestershire;
- joint liaison with government on initiatives of mutual interest;
- agreeing the most appropriate mechanisms for preparing funding bids;
- agreeing respective "LEP leads, LEP Support" roles for common programmes;
- as each LEP's separate negotiations with the major National Opt-In Programmes are confirmed, establishing alignment, co-ordinated and consistent support and signposting where possible;
- managing resources and programmes to maximum mutual effect;
- where there is commonality across the LEPs, agreeing a consistent programme and project development appraisal process and criteria for ESI, government or local funding purposes; and
- agreeing an appropriate performance management system which incorporates efficient monitoring, review and reporting of programme and project delivery to both LEP Boards.

Working Mechanisms:

- a joint GBSLEP -WLEP Panel which will meet three times annually or as/when significant issues arise requiring joint resolution;
- the Joint Panel is to comprise two nominated LEP Board representatives and Executive Director from each LEP, ideally one from the private sector and one from the public sector;
- continuous liaison between both LEPs will be maintained through both Executive Teams;
- depending on agenda items to be subject of Panel discussion, LEB Board representatives will be invited to contribute specialist knowledge and LEP intelligence (i.e. chairs of respective Place Sub Groups if considering development sites or infrastructure schemes);
- the Panel will submit joint reports to respective LEP Boards on Panel meeting outcomes,

programme/project updates as well as performance management culminating in an annual review of progress and a forward look to the next year;

- the Panel will escalate any substantive issues of non-agreement to respective LEP Chairs via both Executive Teams in the first instance and ultimately respective LEP boards;
- the Panel will recommend joint decisions on programmes, projects, funding or issues arising to both LEP Boards for formal approval;
- the Panel will use the North Worcestershire Economic Development & Regeneration (NWEDR) Portfolio Holders' Service and North Worcestershire Business Leaders mechanisms as channels for wider consultation with local businesses, interests and organisation;
- the Panel will require the support of the NWEDR service to co-ordinate the delivery of joint priority objectives, programmes and projects to ensure effective use of combined resources, impacts and outcomes as well as avoiding duplication; and
- the Panel will nominate one LEP to lead a common programme theme on behalf of both LEPs where appropriate i.e. first confirmed arrangement will be WLEP (as well as Stoke and Staffordshire LEP) managing the GBS LEP EAFRD funds (£1.14m) in a tri-partite alliance delivering projects which fulfil respective SEP strategic objectives and rural priorities and align fully with WLEP and SSLEP EAFRD funding.

5 Outputs, results and value for money

5.1 Introduction

The forecast outputs have been estimated by reference to past and current programme, the response to WLEP's call for illustrative projects and project/programme evidence on unit cost benchmarks. The latter includes information issued by the Government to LEPs, along with evidence from existing EU structural funds projects in Worcestershire, the West Midlands European Regional Development Fund Operational Programme 2007-2013 (Version 2 November 2011), West Midlands European Social Fund Regional Strategic Framework 2011-2013 (2011) and the RDA Impact Assessment (2009). Appendix J sets out details of the public sector cost benchmarks used to estimate the ERDF and ESF outputs.

5.2 ERDF outputs and results

The Worcestershire ESI Funds programme will contribute to all of the common ERDF outputs and results indicators. Table 5.1 summarises the estimated ERDF outputs of the WLEP ESI programme.

Table 5.1: ERDF outputs

ERDF outputs	
No. enterprises supported	3,085
No. new enterprises supported	513
No. jobs created (FTE)	478
No. enterprises co-operating with research institutions	93
No. enterprises supported to introduce new to the market products	31
No. enterprises supported to introduce new to the firm products	182
No. additional enterprises accessing ICT products and services including broadband	38
Private investment matching public sector support to enterprises (£)	6,416,273
Estimated annual decrease of Greenhouse Gases (GHG) (Tonnes of CO^2 equivalent)	4154
No. of companies supported with business resource efficiency	62
Infrastructure site development including Green Infrastructure (GI) (Ha)	45

Further details of these outputs are set out in the separate Table 5.2 below.

Table 5.2: ERDF outputs

		Total	PA1		PA2		PA3			PA4					PA6	
		Total	IP1a	IP1b	IP2a	IP2b	IP3a	IP3c	IP3d	IP4a	IP4b	IP4c	IP4e	IP4f	IP6d	IP6f
CO01	Productive investment: Number of enterprises receiving support	1771		168	78	10	227	580	324	11	136		171	20		46
CO02	Productive investment: Number of enterprises receiving grants	872		118			150	388	216							
CO03	Productive investment: Number of enterprises receiving financial support other than grants	108		3			21	53	31							
CO04	Productive investment: Number of enterprises receiving non- financial support	334		41			58	151	84							
CO05	Productive investment: Number of new enterprises supported	513		14	17	7	176	182	103	2				3		9
CO06	Productive investment: Private investment matching public support to enterprises (grants), €	4,894,517		142,223			789,708	2,456,746	1,505,840							
CO07	Productive investment: Private investment matching public support to enterprises (non- grants), €	1,521,756		198,963			25,497	792,131	505,165							
CO08	Productive investment: Employment increase in supported enterprises, FTEs	478		13			92	238	135							
CO22	Land rehabilitation: Surface area of rehabilitated land, hectares	1													1	
CO23	Nature and biodiversity: Surface area of habitats supported to attain a better conservation status, hectares	44													44	
CO25	Research, Innovation: Number of researchers working in improved research infrastructure facilities	5	5													
CO26	Research, Innovation: Number of enterprises cooperating with research institutions	93		91										2		
CO28	Research, Innovation: Number of enterprises supported to introduce new to the market products	31		13			18									
CO29	Research, Innovation: Number of enterprises supported to introduce new to the firm products	182		27		2		91	52					3		7
CO30	Renewables: Additional capacity of	1								1						

Table 5.2: ERDF outputs

		Total	PA1		PA2		PA3			PA4					PA6	
		Total	IP1a	IP1b	IP2a	IP2b	IP3a	IP3c	IP3d	IP4a	IP4b	IP4c	IP4e	IP4f	IP6d	IP6f
	renewable energy production, MW															
CO31	Energy efficiency: Number of households with improved energy consumption classification	60										60				
CO32	Energy efficiency: Decrease of annual primary energy consumption of public buildings, kWh/year	57,851										57,851				
CO34	GHG reduction: Estimated annual decrease of GHG, tonnes of CO2eq	4154								802	661	957	1476	258		
P1	Number of researchers working in improved research or innovation facilities	11	11													
P11	Number of potential entrepreneurs assisted to be enterprise ready	718					718									
P13	Number of enterprises receiving information, diagnostic and brokerage	90						58	32							
P2	Public or commercial buildings built or renovated, square metres	487	274	73			28	72	40							
P3	Additional businesses with broadband access of at least 30mbps	789			789											
P4	Additional businesses taking up broadband with speeds of at least 30Mbps	38				38										

The WLEP ESI programme will contribute towards delivering all of the following ERDF results:

- businesses actively innovating to bring new products to the market;
- increase in SME productivity;
- Increase in SME jobs created;
- increase in business start-ups;
- increase in the energy efficiency of companies, buildings and transport;
- smart specialisation;
- support for enterprises in development of ICT products and services including broadband;
- increase in companies deploying low carbon practises, processes, services or products; and
- improving the economic viability of areas through infrastructure, investments including GI.

5.3 ESF outputs and results

The estimated ESF outputs of the WLEP ESF Programme are summarized in Table 5.2. Again, the programme will contribute to all of the common ESF outputs.

Table 5.3: ESF outputs

ESF outputs	
No. of participants	23,480
No. of unemployed (including long-term unemployed) participants	8,180
No. of inactive participants	3,460
No. of participants aged 15 – 24	2,010

Table 5.4 sets out further details of these outputs. The following ESF results will also be delivered by the WLEP ESI programme:

- inactive participants newly engaged in job searching upon leaving;
- participants in education/training upon leaving;
- participants gaining a qualification upon leaving;
- participants in employment upon leaving; and
- participants engaging in positive activities that address barriers to work.

Table 5.4: ESF outputs

		Total			PA1			PA2	
ID	Indicator	Total	Men	Women	IP8i	IP8ii	IP9i	IP10iii	IP10iv
O1	Participants	23,480	12,110	11,370	7,790		2,510	13,180	
ESF - CO01	Unemployed, including long-term unemployed	8,180	-	-	5,450	1,410	1,320		
O2	Participants (below 25 years of age) who are unemployed or inactive	2,010	1,100	910		2,010			
ESF - CO03	Inactive	3,460	n/a	n/a	1,950	500	1,010		
O4	Participants over 50 years of age	5,320	n/a	n/a	1,800		520	3,000	
O5	Participants from ethnic minorities	1,370	n/a	n/a	380	130	140	720	
ESF - CO16	Participants with disabilities	3,600	n/a	n/a	1,870	210	600	920	
O6	Participants without basic skills	4,040	n/a	n/a	1,370	350		2,320	
O7	Participants who are offenders or ex-offenders	n/a	n/a	n/a			n/a (NOMS only)		
ESF - CO14	Participants who live in a single adult household with dependent children	1,380	n/a	n/a	780	70		530	
CO23	number of supported micro, small and medium-sized enterprises (including cooperative enterprises, enterprises of the social economy)	230	n/a	n/a					230

5.4 EAFRD outputs and results

The estimated EAFRD outputs of the WLEP ESI Funds Strategy are summarised in Table 5.5. The programme will contribute to all of the common EAFRD outputs.

Table 5.5: EAFRD outputs	
EAFRD outputs	
No. of people trained	1,500
No. of jobs created	84

5.5 Value for money

The proposed activities have been designed to fill gaps and complement existing interventions. In this way the strategy is designed to ensure high levels of additionality are achieved.

Furthermore, in developing the Strategy specific consideration has been given to designing the proposed activities taking into account how best to minimise deadweight, displacement and leakage effects and maximise multiplier impacts:

- deadweight – the proposed programmes and projects represent activities that would not otherwise be funded or that would be implemented at a much lower scale and/or with less reach. In terms of the latter, European funding will enhance and accelerate these schemes, ensuring that they are of sufficient scale to make a real difference to the performance of the WLEP economy and able to benefit those most in need;
- displacement – in delivering the proposed activities, any displacement at the national and European level will be limited as far as possible. A key focus for intervention will be supporting growth sectors, which will enable Worcestershire to share in the strong global expansion in these industries rather than displace existing local firms. The support proposed is designed to remove constraints and realise growth that might otherwise be lost. Consequently, it is anticipated that the level of displacement will be relatively low. WLEP will actively achieve this by, amongst other things:
    - targeting support to key, high growth sectors, in particular agri-tech, advanced manufacturing, tourism and cyber security / defence;
    - working with adjacent areas to develop supply chain and other linkages;
    - promoting investment opportunities to a national and international audience; and
    - using innovative funding sources for critical investment projects currently acting as a barrier to growth.
- leakage – it is important that the employment created through the proposed programmes benefits target groups and local people. The sectors and new businesses attracted to the WLEP area will require people with a range of skills, from managerial to elementary level. The WLEP area has a significant pool of available labour. However, in order to ensure that

local benefits are maximised, and that disadvantaged individuals or areas are not excluded, employment and skills forms a key priority of the Strategy, with a range of measures relating to skills development and local recruitment. Other activities will support older workers to remain within the labour force. The focus will be on matching skills to employer needs; and

- multiplier effects – supply chain development initiatives will allow businesses to develop good relationships with suppliers and clients in order to ensure that local businesses can take advantage of opportunities created by the expansion of larger employers. These will include, for example, networking events and collaborative activities between large businesses and their suppliers.

WLEP will work with the Managing Authority Departments and the Local European ESI Teams to develop robust appraisal processes that rigorously assess the strategic fit, value for money, deliverability and additionality, as well as the integration of the horizontal principles (environmental sustainability and equal opportunities).

This will be structured around the HM Treasury five cases model:

- **Strategic case**: 'does the project evidence a robust case for change and does it fit with the objectives of the SEP and the ESI Funds Strategy?'
- **Economic case**: 'does the project demonstrate value for money?'
- **Commercial case**: 'is there a demand for the project and is it viable?'
- **Financial case**: 'is the project financially affordable and sustainable?'
- **Management case**: 'is the project deliverable and are its objectives achievable?'

Given the above, it is expected that the proposed investments will maximise the additionality of European funding and provide value for money. Nevertheless, the aim will be to deliver greater outputs (and results) than forecast through the efficient and effective delivery of the Programme.

6 Governance, delivery, risk and performance management

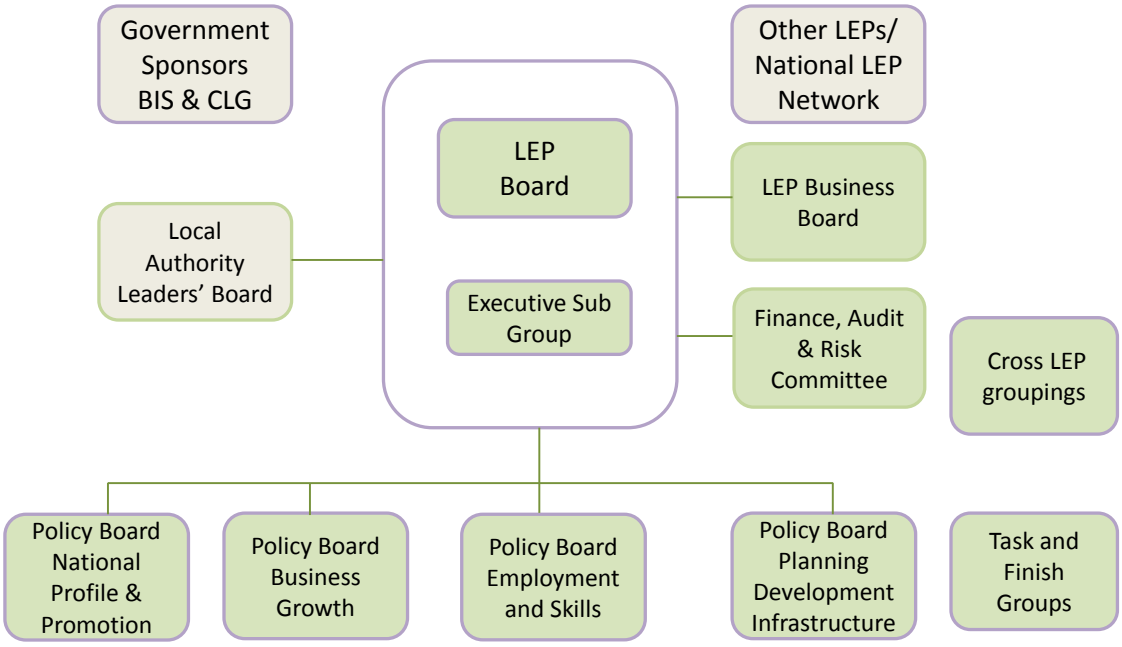
6.1 Governance and delivery arrangements

Establishing robust and effective governance and management arrangements will be essential if the programme is to be successful. At the national level this will involve the National Growth Board and its sub-committees, along with Managing Authority Departments. The Local European ESI Team will work with WLEP to offer advice, assess projects and provide technical support. They will be the interface between WLEP and the National Growth Board.

The local governance and delivery structures have been reviewed to ensure that the appropriate arrangements are in place to: support all funding programmes (including local ESI project commissioning and bidding processes); ensure Board support to projects/programmes; agree and monitor 'opt-in' arrangements; establish local management information processes (see Section 6.7) and work with the Local European ESI Fund Teams.

WLEP have recently reviewed their governance and organisational arrangements to ensure that they are fit for purpose and they now comprise: the WLEP Board; the Business Board; Local Authority Leaders Board; Four Policy Boards; and the Finance, Audit and Risk Committee. These mechanisms are supported by the WLEP Executive team, with Worcestershire County Council acting as the Accountable Body. The current governance arrangements are summarised in Figure 6.1.

Figure 6.1: Existing WLEP Governance arrangements



The Business Board has been established to support the work of WLEP by bringing a business sector perspective on the key challenges and opportunities relevant to the county's economy. The board plays a vital role in supporting enterprise and economic growth in its advisory capacity, informing and influencing the decisions of the LEP board. The Local Authority Leaders' Board has been established as an independent group to bring the County's local authorities together on a regular basis. The LEP Chair and Executive Director will meet with the Leaders' Board to report progress annually.

In addition, four Policy Boards have been set up to drive forward:

- Employment and Skills;
- National Profile and Promotion;
- Business Growth; and
- Planning, Development and Infrastructure.

These boards play an important role in advising WLEP on strategy, key priorities, business plan programmes, and project sourcing and selection. The WLEP will retain effective and responsive governance arrangements that minimise the level of bureaucracy and increase the pace of decision making. It will also continue to ensure that all relevant partners are effectively engaged.

Where necessary, WLEP will establish time limited task and finish groups or specific sub groups to extend and deepen its reach and involve business, public and third sector interests to determine its strategic objectives and specific initiatives, as well as to provide it with linkages to delivery organisations. These groups will comprise cross-sector representation and will ensure local expertise and experience is drawn in to enhance the effectiveness and delivery of WLEP's ambitions. The WLEP Board will retain overall responsibility for strategic co-ordination and decisions, including the resolution of any potential conflicts of interest.

In order to ensure efficient and effective delivery of the ESI Funds Strategy, WLEP will make use of:

- **Partners** – WLEP will work with its public, private and third sector partners to ensure that they implement the Strategy;
- **National 'opt-ins'** (see Section 4.3 above);
- **Collaborative schemes** – discussions are ongoing regarding co-investment with other LEPs in the West Midlands and elsewhere in relation to financial instruments, innovation, the environment and sector specific initiatives. For example, WLEP will work with the other West Midlands LEPs to establish 'fund of funds'; and
- **Calls for projects** – where there are no credible delivery partners, WLEP will seek to secure competitive bids in response to specific calls for projects that meet particular ESI Fund Strategy priorities. WLEP has already issued a limited call for illustrative projects in order to inform the final version of the SEP and the ESI Funds Strategy. As noted, some 70 project submissions were received.

WLEP will not be formally using the community-led local development approach in relation to the ESI Funds. However, it will seek to build upon the success and lessons learned through the 2007-2013 Worcestershire LEADER Programme in order to ensure successful, early delivery of community programmes within particular geographies including rural areas. Possible areas for such an approach would be deprived areas such as: Warndon and Grosshill (Worcester City), Oldington and Foley Park (Kidderminster), Pickersleigh (Malvern Hills) and Batchley and Smallwood (Redditch). More generally, the delivery capacity of the project applicant will be a key component of the appraisal of ESI Fund projects.

6.2 Partner support

The WLEP meets the core Government requirement to incorporate wide stakeholder engagement to help shape its SEP and ESI Funds Strategy and ensure effective delivery. The engagement with organisations and groups has been structured to align with the objectives, priorities and themes of WLEP.

The WLEP has established stakeholder engagement at the heart of its activities in terms of producing and delivering its Business Plan "The Outlook is Bright in Worcestershire" (November 2012). The WLEP continues to broaden and deepen its reach with wide ranging perspectives and interests as sub-groups, sector groups, cross cutting groups, WLEP partners and external alliances with others shape delivery plans and specific programme and project initiatives. WLEP collaborations have secured commitments in principle from these diverse interests and continued joint working is now identifying detailed theme programmes, specific projects and pipelines of initiatives with match resources.

In developing the SEP and the ESI Funds Strategy, the WLEP has ensured that continuing and widespread discussions and consultations with diverse interests have been integral to the process across Worcestershire, with Government and national lead organisations as well as LEPs across the National LEP Network. LEP alliances are important to facilitate shared synergies between ambitions, programmes and bids. In particular, given the change to the WLEP's remit, consultations have been held with interests from the third sector, civil society, rural areas, housing, new Worcestershire Local Nature Partnership/environment, social enterprise, social inclusion and key representatives form part of the WLEP Task and Finish Group overseeing the SEP/ESI Funds process. Discussions with other LEPs and National Programmes are also revealing opportunities to consolidate ambition and delivery with other geographies.

The third sector has been a key partner in the SEP and ESI Funds Strategy visioning; analysis of the issues and opportunities; development of strategic objectives, sector priorities, programmes and cross cutting themes; and production of both strategic documents. WLEP's commitment to third sector involvement is continuing into the future through converting the strategic commitments in both the SEP and the ESI Funds Strategy into operational delivery. The WLEP is constantly widening and deepening its engagement with new third sector networks and groups to bring new perspectives and ideas into the WLEP's ambitions, not least through the new Social Economic Inclusion Consortium.

6.3 Collaboration

WLEP has been engaging extensively with other LEPs in the West Midlands and beyond which have shared interests in order to deliver improved outcomes. This has included specific work about collaborating on smart specialisation, financial instruments and environmental activities. For example, WLEP has, as noted, jointly commissioned with the other West Midlands LEPs a feasibility study into the use of financial instruments. It has also been working with partners in the Marches LEP on issues such as food and drink and social enterprise. In addition, it has been exploring potential options with Gloucestershire LEP and the West of England LEP on cyber security. Thematic and other sector specific opportunities for collaboration have been identified with 'Opt-in' service providers as part of the ESI Funds Strategy – for example, through MAS in relation to the food and drink sector in Lincolnshire. These and other discussions are continuing.

Worcestershire is also part of the Local Government Association's (LGA's) Economic Growth Advisor Programme and will be working as part of the Shared Learning Network focusing in particular on inward investment and the local delivery models.

6.4 Other European Programmes

WLEP will seek to ensure that complementary investment is secured from other European programmes. These may include:

- Horizon 2020 – the EU Framework Programme for research and development will be considered in relation to opportunities for Research, Technology Development and Innovation (RTDI), employment and SME support, enhancement of R&D infrastructure and a supportive 'growth environment' for SMEs;
- COSME – the Competitiveness of Enterprises and SMEs Programme may provide opportunities for intervention direction through access to finance and expert markets;
- the European Territorial Co-operation Programme – exploring approaches for cross-border collaborations; and
- LIFE – particularly in terms of opportunities for integrated projects in the areas of climate change mitigation.

6.5 Risk

6.5.1 Introduction

In developing the ESI Funds Strategy, WLEP has been considering the issue of risk. The risks that may affect the successful delivery of the strategic priorities and projects have been identified and the overall severity of each risk, based upon evidence-based judgements of probability and likely impact, has been assessed. In addition, mitigating measures that will or could be implemented are set out.

The risk assessment has been used to highlight the critical risks to the programme and inform where risk management measures need to be targeted in order to reduce the overall level of risk to WLEP and its partners.

6.5.2 Risk assessment

The key risks to the delivery of the ESI Funds Strategy are set out below within a risk register. The risks have been grouped under the following types: strategic; operational; financial/Government support and implementation. As shown in Table 6.1, the assessment of the severity associated with each risk, has been carried out based upon a judgement of impact and probability.

Against each risk, a rating (and score) has been given to the probability of the risk arising – ranging from very high (a maximum score of 5) to very low (a score of 1). The impact of each risk has also been assessed, using the same rating (and scoring) range as has been used for probability (i.e. a range of 1-5). The overall risk score is calculated by multiplying the probability score by the impact score (giving a maximum score of 25, representing an extreme risk). The scores are then banded low, medium or high to provide an indication of the overall rating of each risk.

The risks to the delivery of the SEP and the ESI Funds Strategy will be continually monitored and updated. The risks during the delivery phase will inevitably be related to project management and implementation. It is anticipated that the probability of these risks will reduce as the delivery arrangements are put in place.

Table 6.1: Risk register and assessment

Risk type	Risk description	Impact	Probability	Overall score
Strategic				
Governance	Failure to develop and implement effective governance arrangements for the SEP and ESI Funds	4	2	Medium - 8
Programme Integration (GBS LEP)	Failure to manage overlap with Greater Birmingham LEP	4	2	Medium – 8
Conflicts of interest	Conflicts of interest arising with strategic and project level decisions	3	2	Low – 6
Reputation	A risk to the reputation of the partners associated with the non-delivery of the SEP and ESI Funds Strategy	3	2	Low - 6
Operational				
Staff resources	Insufficient staff resources to successfully deliver the SEP and the ESI Funds Strategy.	3	3	Medium – 9

Partner engagement	Failure to engage effectively with partners, resulting in reduced support for the programme.	4	1	Low – 4
Stakeholder engagement	Insufficient engagement, resulting in lack of stakeholder support for the programme proposals.	3	2	Low – 8
Enabling new processes	The risk that new arrangements, processes and procedures are not effective in delivering the ESI and SEP programmes.	3	3	Medium – 9
Financial/Government support				
Project match funding	The project match funding secured is delayed or insufficient to implement the ESI priorities.	5	2	Medium – 10
Operating costs	Revenue funding made available is insufficient to cover operating costs.	4	3	Medium – 12
Implementation				
Delivery capacity and capability	Insufficient capacity and/or capability to successfully deliver the ESI and SEP programmes and meet the new remit designated for LEPs by the Government.	4	2	Medium – 8
Establishment and programme momentum	The risk that there are delays to implementing the ESF and SEP programmes, resulting in a loss of momentum.	3	3	Medium – 9
Delay in national programme approval	The risk that there are extended negotiations between the UK Government and the European Commission which delays further the start of the programme	3	4	Medium - 12
Effective and efficient project appraisal	The risk that the processes aren't in place to consider project applications, delaying the implementation of the ESI and SEP programmes	3	2	Low – 6
Programme and project management	Programme and project management arrangements not sufficiently established to deliver early priority projects.	4	2	Medium – 8

6.5.3 Risk management

The WLEP will actively monitor and manage each risk associated with the delivery of the ESI Funds Strategy, giving particular attention to those risks identified as high. An outline risk management strategy has been prepared, as shown in Table 6.2.

Table 6.2: Risk management	
Risk type	**Risk management**
Strategic	
Governance	WLEP has commissioned a governance review, which is underway and is committed to ensuring appropriate arrangements are in place to oversee delivery of the SEP and ESI Funds.
Programme Integration (GBS LEP)	Discussions are ongoing with Greater Birmingham & Solihull LEP with regard to agreeing the co-governance arrangements for North Worcestershire and a protocol has been agreed.
Conflicts of interest	WLEP will be responsible for managing any conflicts of interest that may arise with strategic and project level decisions, within the context of the guidance that Government's 2014-2020 Design & Implementation work streams are currently drafting. Investment decisions will be published on the WLEP website and 'conflict of interest procedures' will be implemented.
Reputation	WLEP and its partners are collaborating closely to ensure that the SEP is deliverable and that appropriate arrangements are in place to ensure its successful implementation.
Operational	
Staff resources	A highly skilled and effective team is being put in place, with clear roles and responsibilities established at the outset. External specialists will also be used as and when necessary to ensure that the appropriate skills set is available.
Partner engagement	The WLEP will seek to develop and maintain effective engagement with partners so as to ensure that the momentum behind the regeneration of the LEP area is maintained.
Stakeholder engagement	The WLEP will ensure that there is continued 'buy in' from the private, public and civil society sectors.
Enabling new processes	The WLEP will learn from good practice from previous administrative arrangements by DCLG, the Regional Development Agencies (RDAs) and others.
Financial/Government support	
Project funding/Government ask	The LEP will work closely with its partners to maximise the availability of public and private sector match funding resources. The recent call for illustrative projects provides comfort that match funding will be available.
Operating costs	Financial management procedures will be adopted incorporating a robust management review and monitoring of budgeted, estimated and actual operating costs. Moreover, operational budgeted costs are to be subject to review to ensure that resource requirements remain appropriate.
Implementation	
Delivery capacity and capability	Successful delivery of the ESI and SEP will be achieved through effective partnership working with Government, local authorities, business, education, voluntary and community sectors across the LEP area; in addition to the 'opt-

	in' match funders and future grants recipients. Lessons learnt and good practice from delivery of the 2007-13 ERDF and ESF and other programmes will be taken forward to 2014-2020 and the SEP programme.
Establishment and programme momentum	It will be important that the SEP and ESI Funds Strategy are launched and gain positive momentum at the earliest opportunity.
Delay in national programme approval	WLEP will work with Government to support any negotiations if required.
Effective and efficient project appraisal	The WLEP will put in place mechanisms to ensure that project applications through, for example, 'calls for projects' can be speedily considered.
Programme and project management	Clear roles will be established and individuals recruited with appropriate skills. In addition, monitoring and reporting systems will be put in place to ensure that projects are managed effectively and that any problems are identified quickly, so that corrective action can be taken.

6.6 Monitoring and evaluation

6.6.1 Overview

WLEP will work with Worcestershire County Council and the Local ESI Funds Team to develop and implement a robust performance management system. This will include arrangements to monitor selected 'strategic outcome' indicators, along with the inputs and gross and net additional outputs and results of programmes and projects. The approach will build upon best practice and guidance, as well as the system established for the previous West Midlands European Regional Development Fund Operational Programme 2007-2013 and the West Midlands European Social Fund Regional Strategic Framework 2011-2013.

A clear and simple performance management system will be established to collect monitoring information for each project. The monitoring information in relation to the performance of individual projects will be collated in the form of quarterly summary reports for presentation to the WLEP Board. An annual report will also be produced that sets out the overall performance of the WLEP area against the key strategic outcome indicators.

6.6.2 Monitoring framework

Monitoring is the process of checking actual progress and comparing this with the plans for a project when it was first conceived or promoted. It can provide an early warning that things are not going to plan and an opportunity to take timely corrective action. Similarly, it can highlight where performance is significantly better than expected. As such, time and effort needs to be given to developing and implementing an effective monitoring system.

The proposed approach to monitoring the delivery of the ESI Funds Strategy is one that builds upon current best practice and guidance, whilst also taking account of the specific requirements

of the LEP and its partners. So as to reflect both the wider economic impact of each of the programme areas and the impacts of individual projects, the proposed monitoring framework combines:

- a bottom-up (or micro) analysis of projects; and
- a top-down (or macro) analysis of changes in strategic outcome indicators.

The bottom-up approach involves the identification of the inputs, outputs and outcomes associated with individual projects. It is based upon detailed project-level information and analyses. The top-down analysis will consider changes in strategic outcome indicators (such as employment, business performance and GVA), where feasible, using historic information to identify long-term trends.

Each of the approaches has its advantages and disadvantages. For example, while the bottom-up approach can provide a detailed understanding of the effects of key elements of the ESI Funds Strategy, it may be difficult to discern the wider, induced or less tangible impacts. On the other hand, the top-down approach can provide an overall understanding of how the LEP area is performing, although up-to-date indicators are often not available, and it may be difficult to attribute impacts to specific interventions as opposed to external factors. The proposed framework therefore seeks to combine and integrate the bottom-up and top-down approaches.

(ii) Individual project monitoring

It is proposed that a clear and simple performance management system is established to collect monitoring information for each individual project. This will mean assembling and updating information on each project identified each action area, including target/forecast data.

Where an ESI Funds project involves a number of discrete project components, monitoring information should also be gathered for each of these individual components as well as for the project as a whole.

The system itself would include the following information for each project:

- project name;
- description and key activities (including progress to date);
- aims and objectives;
- target geographical area and/or beneficiaries;
- key milestones / timetable (forecast and actual performance);
- costs, income and funding:
  - gross expenditure by source (forecast and actual);
  - receipts (forecast and actual); and
  - net expenditure by source (forecast and actual).
- project outputs and outcomes (forecast and actual):

- key risk factors and mitigation; and
- further comments.

In terms of project outputs and outcomes, it will be important that a set of definitions are used that are consistent with the requirements of funding partners. Reporting must serve the needs of all partners and, as such, individual project monitoring has to contain information relevant to each. WLEP will need to identify output information appropriate to each individual project, specifically in terms of targets set as funding conditions, and include this within monitoring reports.

The outputs and outcomes against which projects will be monitored are shown in Box 6.1.

Box 6.1: Project outputs and outcomes

- private sector investment (£/% levered);
- GVA created (£ per annum);
- Employment and skills outputs:
  - employment floorspace (sq m);
  - jobs created (no.);
  - jobs safeguarded (no.);
  - training participants (no.);
  - unemployment participants (no.);
  - inactive participants (no.);
  - employed participants (no.);
  - participants aged 15-24 (no.);
- Enterprise outputs:
  - enterprises supported (no.);
  - new enterprises supported (no.);
  - enterprises co-operating with research institutions (no.);
  - enterprises supported to introduce new to the market products (no.);
  - enterprises supported to introduce new to the firm products (no.);
  - additional enterprises accessing ICT products and services including broadband (no.);
- housing outputs:
  - affordable housing units created (no.);

- market value housing units created (no.);
- total housing units created (no.);

- environmental outputs:
  - estimated annual decrease of Greenhouse Gases (GHG) (tonnes of CO2 equivalent);
  - companies supported with business resource efficiency (no.); and
  - infrastructure site development including Green Infrastructure (Ha).

Outputs and outcomes may be claimed by several partners to a project. An agreement should be made at the point of approval regarding the apportionment of the generated outputs and outcomes between partners, which may be based on the value of investment as a proportion of the whole or some other agreed basis reflecting the relative impact of the investment made or outcomes targeted.

(iii) Strategic outcome indicator monitoring

One of the key objectives of WLEP is to encourage a sustained structural adjustment in the relative and absolute economic performance of Worcestershire. As such, in addition to collecting the outputs and outcomes of individual projects, part of the framework will involve monitoring changes in key strategic outcome indicators. This will involve comparing performance with baseline conditions and past trends. This will be used to measure the wider impact of the WLEP and its partner activities.

A range of potential strategic outcome indicators have been reviewed, reflecting the strategic case and vision identified in Section 2. Use will be made of monitoring arrangements already in place (such as ONS's published LEP profiles and the LEP Network Annual Review) and of national data sources in order to minimise the resource requirements associated with implementing and updating the monitoring system. Table 6.3 sets out the proposed indicators.

Table 6.3: Strategic outcome indicators

Indicator		Source	Performance measure(s)
Business			
1.	Output	ONS, NUTS Level 3 GVA	(i) Total GVA, (ii) GVA per capita,
2.	Productivity	ONS, NUTS Level 3 GVA; ONS, Business Register and Employment Survey (BRES)	(i) GVA per employee
3.	Business performance	ONS, Business Demography; ONS, mid-year population estimates	(i) Business stock, (ii) business density, (iii) birth rate, (iv) death rate, (v) survival rate

4.	Entrepreneurship	ONS, Business Demography; ONS, UK Business: Activity, Size and Location; ONS, Annual Population Survey	(i) Number of SMEs, (ii) churn rate, (iii) self-employment rate
5.	Internationalisation & inward investment	Inter-Departmental Business Register; ONS, UK Input-Output Supply and Use tables; ONS, BRES	(i) Foreign owner enterprises, (ii) employment in export intensive industries
6.	Employment	ONS, BRES; ONS, Annual Population Survey	(i) Employment growth, (ii) occupational structure, (iii) Employment growth in priority sectors
7.	Innovation	ONS, BRES; OECD, Patents by Regions; ONS, mid-year population estimates	(i) Employment in high and medium tech manufacturing, (ii) employment in the knowledge economy, (iii) patents per 100,000 residents
People			
8.	Population	ONS, mid-year population estimates; ONS, Urban Rural Definition	(i) Change in population, (ii) Woking age population, (iii) share of population classed as rural
9.	Earnings	ONS, annual survey of hours and earnings	(i) Average annual earnings – resident based, (ii) average annual earnings – workplace based
10.	Labour market	ONS, Annual Population Survey; ONS, mid-year population estimates	(i) Employment rate, (ii) jobs per resident,
11.	Qualification attainment	ONS, Annual Population Survey	(i) Residents with NVQ4+; (ii) Residents with NVQ1 or no qualifications
12.	Unemployment	ONS, claimant count; DWP, key out of work benefits	(i) JSA claimant rate, (ii) Worklessness rate
Place			
13.	Quality of life	ONS, Subjective Well-being Experimental datasets; DCLG, Indices of Deprivation; Pay Check, CACI	(i) Life satisfaction, (ii) Share of population living in most deprived areas, (iii) Households on low incomes

14.	Infrastructure	OFCOM, broadband speed and take-up data; WCC transport data	(i) Percentage of broadband connections receiving 2 Mbits/s2, (ii) superfast broadband availability, (iii) total broadband take-up, (iv) take-up of superfast broadband, (v) reduced journey times; (vi) reduced congestion
15.	Housing	DCLG, live tables	(i) Net additions to the dwelling stock, (ii) Average house price, (iii) Affordability ratio
16.	Land and property	ONS, commercial and industrial floorspace and rateable value; DCLG	(i) Change in total business rateable value, (ii) planning decisions (major development) within 13 weeks
17.	Environment	DECC, carbon emission for local authority and regional levels	(i) Local CO2 emission per 1,000 population

The monitoring information in relation to the performance of individual projects will be collated in the form of quarterly summary reports. An annual report will also be produced that sets out the overall performance of the LEP area against the key strategic outcome indicators.

6.6.3 Evaluation framework

Evaluation is the critical examination of the extent to which the objectives of intervening have been achieved, additional impacts or changes that are attributable to individual projects or the wider programme have resulted, the extent to which changes were secured in an efficient and cost effective way, and to provide lessons for the future. Monitoring data will be one of the key inputs into any evaluation. However, there will also need to be a wider assessment of the effectiveness and efficiency of intervention within the LEP area.

It is proposed that an independent interim evaluation of the ESI Funds Strategy is carried out after four years. A final evaluation would be undertaken at the end of the programme. Briefs for the evaluations would be developed in conjunction with the local ESI Funds Team and the assignments competitively tendered.

7 Eligibility and compliance

WLEP and its partners have designed the Worcestershire ESI Funds Strategy so that:

- proposed strategic activities are eligible for investment under the European Regulations governing use of the ESI Funds (or likely to lead to projects which will be eligible);
- likely delivery routes give confidence of compliance with the European Regulations (including any specific requirements for Thematic Objectives);
- strategic activities align with those in the framework of European Growth Programme priorities and will therefore contribute to delivery of Europe 2020 goals. Consideration has been given to alignment with other European funds; and
- proposals take account of state aid requirements.

The appraisal of each project would assess in detail its eligibility and compliance with State aid and other requirements, such as procurement.

Appendix A - Timeline and Engagement Programme

Timeline	Actions
Mid-April 2013	**Government Requirements announced** External briefings and liaison with BIS WM; DCLG and West Midlands European Service (WMES); WM LEP Chairs and Executive Directors; surrounding LEPs; National LEP Network; BIS (London) and DCLG (London) **Internal preliminary discussions and briefings** with WLEP Board, WLEP Business Board, Worcestershire Leaders' Panel (Chief Executives and Leaders of all local authorities -Worcestershire County Council, Wyre Forest District Council, Redditch Borough Council, Bromsgrove District Council, Worcester City Council, Malvern Hills District Council, Wychavon District Council) **WLEP and BIS WM Relationship Channel** hold Kick-Off meeting **WLEP Executive** bilaterals identifying additional stakeholders, knowledge, expertise and evidence to bring into the emerging process; briefing existing Sub Groups steering strategic objectives, cross cutting or sector delivery of extant Business Plan to ensure contributions to SEP/ESI Funds Strategy
May 2013	**WLEP Board** meeting establishing WLEP scope, approach, timeline and interpretation of Government requirements; broad discussion converting WLEP Business Plan into outline Strategic Economic Plan ambition and principles; formation of the WLEP Task and Finish Group to oversee the process on behalf of the WLEP Board while the Board retains decision-making responsibilities. **WLEP Executive** bilaterals identifying additional stakeholders, knowledge, expertise and evidence to bring into the emerging process; briefing existing Sub Groups steering strategic objectives, cross cutting or sector delivery of extant Business Plan to ensure contributions to SEP/ESI Funds Strategy **WLEP and Leaders' Panel Liaison** **WLEP SEP/ESI Funds Strategy Task and Finish Group** formed comprising representatives from WLEP Board and key stakeholders from public, private and third sectors and specifically from themes merging into the future WLEP remit (housing, Local Nature Partnership/ environment etc). WLEP TFG lead and oversee process by: ○ starting with published WLEP Business Plan "The Outlook is Bright in Worcestershire" (November 2012), develop a new Strategic Economic Plan and Investment Strategy approach ○ preparing contract brief to secure supplementary European/investment

	knowledge and expertise to supplement WLEP Board and Executive work ○ scoping out and delivering WLEP stakeholder engagement process with partner leads ○ sharing evidence, analysis, knowledge and expertise from respective organisations, partnerships and sectors ○ TFG representatives providing "constructive critical challenge" throughout evolving process **WLEP Internal Liaison** with Strategic Objective Sub Groups, sector Sub Groups and cross cutting Sub Groups **WLEP External Liaison** across National LEP Network, with West Midlands LEPs and surrounding LEPs establishing potential synergies and alliances **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office)
June 2013	**WLEP Executive** bilaterals identifying additional , stakeholders, knowledge, expertise and evidence to bring into the emerging process; briefing existing Sub Groups steering strategic objectives, cross cutting or sector delivery of extant Business Plan to ensure contributions to SEP/ESI Funds Strategy **SEP and ESI Funds Strategy Development discussions, meetings and liaison held via:** **WLEP SEP & ESI Funds Strategy Task and Finish Group** meeting **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **WLEP and Leaders' Panel Liaison** alongside individual authority bilaterals **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP and Worcestershire Local Nature Partnership** and environment network **Individual WLEP Liaison meetings** – UKTI, MAS, Growth Accelerator, TSB

	WLEP, WCC and WMES European Funding Workshop for Worcestershire stakeholders **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network **AMION Consulting/ICF GHK** confirmed in supporting WLEP Board and Executive to develop the SEP and ESI Funds Strategy
July 2013	Government Supplementary Guidance, Growth Deal Guidance and first Opt-In prospectuses published. SEP and ESI Funds Strategy Development discussions, meetings and liaison held via: **WLEP SEP & ESI Funds Strategy Task and Finish Group** meeting receiving AMION/GHK evidence and analysis **Special WLEP Board** receiving AMION/GHK evidence and analysis **WLEP Business Board** and wider business community consultation receiving AMION/GHK evidence and analysis **WLEP Planning Development & Infrastructure Sub Group** **WLEP Access to Finance Sub Group** and portal launch **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **WLEP and Leaders' Panel Liaison** alongside individual authority bilaterals **WLEP and Worcestershire Social Entrepreneurs Network** **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network **Joint West Midlands LEPs, BIS WM and WMES Event** **West Midlands LEPs' Smart Specialisation Workshop**

	Individual WLEP Liaison meetings – UKTI, MAS, Growth Accelerator, TSB **WLEP and Social Housing Network** **WLEP and BIS WM Liaison** (plus DWP, Jobcentreplus, Defra, Cabinet Office, DCLG, WMES)
August 2013	SEP and ESI Funds Strategy Development discussions, meetings and liaison held via: **WLEP SEP & ESI Funds Strategy Task and Finish Group** meeting receiving further AMION/GHK evidence and analysis; early scope of SEP and ESI Funds Strategy **Special WLEP Board** receiving further AMION/GHK evidence and analysis; early scope of SEP and ESI Funds Strategy **WLEP Business Board** and wider business community consultation receiving further AMION/GHK evidence and analysis; early scope of SEP and ESI Funds Strategy Further AMION/GHK evidence/analysis and early scope of SEP and ESI Funds Strategy shared with leads for groups/networks below as follows: **WLEP Planning Development & Infrastructure Sub Group** **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Local Nature Partnership** with Environment Network **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network **Individual WLEP and National Opt In meetings – UKTI, MAS, Growth**

	Accelerator, TSB **WLEP and Social Housing Network** scoping shared ambitions **WLEP and BIS WM Liaison** (plus DWP, Jobcentreplus, Defra, Cabinet Office, DCLG, WMES)
September 2013	SEP and ESI Funds Strategy Development discussions, meetings and liaison held via: **WLEP SEP & ESI Funds Strategy Task and Finish Group** consider first SEP (outline) and ESI Funds Strategy **Special WLEP Board** consider first SEP (outline) and ESI Funds Strategy **WLEP Business Board** and wider business community consultation receiving further AMION/GHK evidence and analysis; early scope of SEP and ESI Funds Strategy First SEP (outline) and ESI Funds Strategy shared with leads for groups/networks below as follows: **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** alongside Social Enterprise West Midlands and Social Enterprise UK discussions and support **WLEP and Social Housing Network** developing shared ambitions **WLEP and Local Nature Partnership** with Environment Network **WLEP and Natural England Local Economic Development and Environment Toolkit Level 1 Workshop** - constructive challenge and scoping Worcestershire's environment assets in supporting and delivering WLEP SEP/ESI Funds Strategy ambitions

	WLEP and Third Sector Social Inclusion Workshop - constructive challenge and scoping third sector activities and potential in supporting and delivering WLEP SEP/ESI Funds Strategy ambitions **WLEP and Rural Focus Group** - constructive challenge and scoping rural activities and potential in supporting and delivering WLEP SEP/ESI Funds Strategy ambitions **Series of BIS' Themed Workshops -**Partnership and Governance; Monitoring and Evaluation, **BIS WM Opt-In Fair (UKTI, MAS, GA, SFA, BLF, SEWM, DWP)** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion
October 2013	**Special WLEP Board** approve SEP (outline) and ESI Funds Strategy (4 October) **SEP (outline) and EU Investment Strategy to Government** (7 October) **LEPs National Network Summit** 9 October **WLEP Annual Conference and publication of WLEP Annual Report 2013** 10 October to report WLEP achievements and promote SEP/ESI Funds Strategy headline ambitions SEP and ESI Funds Strategy Development discussions, meetings and liaison held via: **WLEP SEP & ESI Funds Strategy Task and Finish Group** meeting to consider delivery of SEP (outline) and ESI Funds Strategy; converting draft into delivery of detailed ambitions, programmes and flagship projects **WLEP Board** consider delivery of SEP (outline) and ESI Funds Strategy; converting draft into delivery of detailed ambitions, programmes and flagship projects Converting SEP (outline) and ESI Funds Strategy into delivery of detailed ambitions, programmes and flagship projects hared with leads for groups/networks below as follows: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme

	WLEP Access to Finance Sub Group **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Board and WLEP Executive with AMION/GHK Consultancy** develop the detailed SEP document and ESI Funds Strategy document with corresponding strategic delivery; performance management; WLEP governance and partnership review; delivery and financial models; local authority shared working model; National Opt-In negotiations; Growth Deal preparations; and continuing stakeholder consultations; with additional external challenge provided by an independently appointed Panel **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion **Ongoing discussions** with Greater Birmingham and Solihull LEP about co-governance and delivery arrangements. **Government evaluates submission** and returns clarification questions to LEPs by mid-October; **Formal Government National Growth Board response to WLEP Draft EU Investment Strategy late-October** Government & WLEP discussions to further develop the strategy
November 2013	**WLEP Board and WLEP Executive with AMION/GHK Consultancy** develop the detailed SEP document and ESI Funds Strategy document with corresponding strategic delivery; performance management; WLEP governance and partnership

	review; delivery and financial models; local authority shared working model; National Opt-In negotiations; Growth Deal preparations; and continuing stakeholder consultations; with additional external challenge provided by an independently appointed Panel **WLEP SEP & ESI Funds Strategy Task and Finish Group** to consider detailed development progress of SEP and ESI Funds Strategy alongside Government's formal feedback **Special WLEP Board** to consider detailed development progress of SEP and ESI Funds Strategy alongside Government's formal feedback to WLEP on Draft Strategic Economic Plan & EU Investment Strategy SEP and ESI Funds Strategy Development discussions, meetings and liaison held via: SEP and ESI Funds Strategy delivery of detailed ambitions, programmes and flagship projects hared with leads for groups/networks below as follows: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office)

	WLEP Executive bilaterals and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion; **Ongoing discussions** with Greater Birmingham and Solihull LEP about co-governance and delivery arrangements.
December 2013	**WLEP allocation of Structural and Investment Fund to be confirmed by Government** **WLEP submission of Draft Strategic Economic Plan to Government** **WLEP Board and WLEP Executive with AMION/GHK Consultancy** continue developing the detailed SEP document and ESI Funds Strategy document with corresponding strategic delivery; performance management; WLEP governance and partnership review; delivery and financial models; local authority shared working model; National Opt-In negotiations; Growth Deal preparations; and continuing stakeholder consultations; with additional external challenge provided by an independently appointed Panel **WLEP SEP & ESI Funds Strategy Task and Finish Group** to consider detailed development progress of SEP and ESI Funds Strategy **Special WLEP Board** to consider detailed development progress of SEP and ESI Funds Strategy alongside Government's formal feedback to WLEP on Draft Strategic Economic Plan & EU Investment Strategy SEP and ESI Funds Strategy discussions, meetings and liaison held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3)

	WLEP and Third Sector Social Inclusion Network **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions. **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office). **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion**.** **Ongoing discussions** with Greater Birmingham and Solihull LEP about co-governance and delivery arrangements.

January 2014	**WLEP allocation of Structural and Investment Fund to be confirmed by Government** **WLEP Board and WLEP Executive with AMION Consulting/ICF GHK** to continue developing the detailed SEP document and ESI Funds Strategy document with corresponding strategic delivery; performance management; WLEP governance and partnership review; delivery and financial models; local authority shared working model; National Opt-In negotiations; Growth Deal preparations; and continuing stakeholder consultations; with additional external challenge provided by an independently appointed Panel **WLEP SEP & ESI Funds Strategy Task and Finish Group** to consider Final SEP and ESI Funds Strategy **WLEP Board** to approve Final Strategic Economic Plan and EU Investment Strategy SEP and ESI Funds Strategy discussions, meetings and liaison to be held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and

	network leads; other LEPs across the network; WM LEPs' collective discussion **Submit Final EU Structural and Investment Fund Strategy** to Government 31 January 2013 for agreement by National Growth Board
February 2014	**WLEP Board and WLEP Executive with AMION/GHK Consultancy** to continue refining strategic delivery; performance management; programme and project management; Growth Deal preparations; and continuing stakeholder consultations; **WLEP SEP & ESI Funds Strategy Task and Finish Group** shaping SEP and ESI Funds Strategy delivery, programme and performance management **WLEP Board** shaping SEP and ESI Funds Strategy delivery, programme and performance management SEP and ESI Funds Strategy discussions, meetings and liaison to be held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and

	network leads; other LEPs across the network; WM LEPs' collective discussion **Government National Growth Board agree WLEP EU Investment Strategy** by 28 February 2014
March 2014	**WLEP SEP & ESI Funds Strategy Task and Finish Group** shaping SEP and ESI Funds Strategy delivery, programme and performance management **WLEP Board** shaping SEP and ESI Funds Strategy delivery, programme and performance management. SEP and ESI Funds Strategy discussions, meetings and liaison to be held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/ expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion **Submit Final Strategic Economic Plan** to Government by 31 March 2014
April 2014	**WLEP Board and WLEP SEP & ESI Funds Strategy Task and Finish Group** **WLEP Board and WLEP Executive c**onvert SEP and ESI Funds Strategy into Delivery Plans alongside agreed delivery models and mechanisms through liaison

	to be held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion.
May 2014	**WLEP SEP & ESI Funds Strategy Task and Finish Group** **WLEP Board and WLEP Executive** shaping SEP and ESI Funds Strategy delivery, programme and performance management through liaison to be held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups**

	WLEP Business and Regulations Sub Group **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion.
June 2014	**WLEP SEP & ESI Funds Strategy Task and Finish Group** **WLEP Board and WLEP Executive** liaison to be held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus**

	WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion **ERDF and ESF Operational Programmes expenditure to commence**
July 2014	**WLEP SEP & ESI Funds Strategy Task and Finish Group** **WLEP Board and WLEP Executive** through liaison to be held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations concluded - UKTI, MAS, GA, SFA, BLF, DWP, EIB** **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion.

	WLEP submission of Final Strategic Economic Plan to Government **Growth Deals expected to be in place in April 2015**

Appendix B - List of Consultees

List of WLEP Stakeholders and Consultees

3SDL
Abbey Park Golf and Country Club
ACT
Action for Children
Age UK Herefordshire and Worcestershire
Armed Forces 143 Brigade (Midlands)
Asiri Foods
Association of Parish Councils
Avoncroft Museum Bromsgrove
BBC Herefordshire and Worcestershire
Beacon CiC
Beer and Partners
Bewdley Brewery
Bewdley Development Trust
Birds Brewery
Black Country LEP
Borwell Limited
Boughton Butler
Brockencote Hall, Chaddesley Corbett
Bromsgrove District Council
Buffets our Business
Caldecott Farms
Chris Green Media
Chrysalis Performance Limited
CLD Trust
Clive's Fruit Farm
CMCA-UK
Community First
Community Housing
Community Regeneration, North Worcestershire
Coomber Electronics
Country Land Association
Coventry & Warwickshire LEP
CROWN Community Action Wyre Forest
CSI in Kidderminster
Elim Conference Centre, Malvern
Encription
Environment Agency
EPIC CiC
e-Response Recruitment

Evesham Vale Growers
Farmstay
Federation of Small Businesses (Worcestershire)
Festival Housing Limited
First Solution
Focus Training
GFirst (Gloucestershire) LEP
GH Styles Apple Juice Producers
Grumpy Farmer Poultry Farm
Greater Birmingham & Solihull LEP
H Dayus Butchers
Hallmark Hulme
Hanley Castle High School
Harris Lamb
Harrison Clark
Health and Safety Executive (Worcestershire)
Heart of England Fine Foods
Herefordshire and Worcestershire Chamber of Commerce
Herefordshire and Worcestershire Fire and Rescue
Hewett Recruitment
Hewitt Recruitment
HM Revenue and Customs (Worcestershire)
Hodgehill Farm Shop
Holywell Springwater
Hotelshop
IASME Consortium
Impetus
Inkberrow Design
Institute of Directors (Worcestershire)
ISO Quality Services
Jinney Ring Craft Centre, Hanbury
Jobcentre Plus (Worcestershire)
Kanesfoods.co.uk
King Charles First School
LAG, LEADER Project, Worcestershire
Little Ginger Pig Company
Malvern Hills District Council
Malvern Hills Science Park
Malvern Solar
Malvern Theatres
Marches LEP
Meconopsis Developments
MFG Solicitors
Midwest Rural Enterprise CiC
Modus Creative

Museum & Art Gallery Worcester
National Apprentice Service
Natural England
NEW College
New Hope
Newsquest
NFU
Nicklins
Nineveh Ridge Care Farm
North Worcestershire Economic Development and Regeneration Service
Oakland International
OGL Limited
Oldyarr Farm Shop
Oliver James Foods
One Creative Environments
Opportunity Vale of Evesham
Pegoty Hedge
Pete Cullen Consulting
Peter Millichip Sports
Planning Prospects
Postcode Anywhere
Pye Hill Farm
Ramblers Association
Redditch Borough Council
Robert West Engineering
Rockline Industries Limited
Roots HR
Rotec Limited
Rural Experience
Sanctuary Housing Group
Severn Valley Railway
Shaw Trust
Shelsley Walsh Hill Climb
SME Solicitors
South Bromsgrove High School
Speller Metcalfe
Spokes CiC
St Andrew's Hotel, Droitwich
St Francis Group
St Georges Brewery
Stanbrook Abbey
Stirchley Bacon
Stoke-on-Trent & Staffordshire LEP
Stone Manor Hotel, Kidderminster
Stourport Manor Hotel

Sutcliffe and Co
Swan Theatre, Worcester
Taylor Property Development
The Fold
The Pudding Shop
The Village Shop
Thomas Vale Construction
Three Counties Show Ground
Three Counties Showground, Malvern
Tipple Tourism
Titania
University of Worcester
UTC
Vestia
Webbs Garden Centre
West Midlands Safari Park
West of England LEP
Wingates
Wood Norton Hotel, Evesham
Worcester Bosch Group
Worcester City Council
Worcester College of Technology
Worcester News
Worcester Racecourse
Worcester Research Company
Worcester Warriors
Worcestershire Ambassadors
Worcestershire Armed Forces Community Covenant Partnership
Worcestershire Association of Carers
Worcestershire Community Land Co-operative
Worcestershire County Council
Worcestershire County Cricket Ground
Worcestershire Local Nature Partnership
Worcestershire Regulatory Services
Worcestershire Rural Hub
Worcestershire Voices
Worcestershire Wildlife Trust
Wychavon District Council
Wyre Forest District Council
Yamazaki Mazak Limited
Young Farmers

Appendix C - Rationale for intervention

Socio-economic conditions

(i) Business

Economic performance - The overall value of the Worcestershire economy in 2011 was estimated at approaching £9.2 billion, which represents nearly a tenth of the West Midlands economy. The Worcestershire economy was hard hit during the early stages of the economic crisis and saw its GVA decline by 8% in real terms between 2007 and 2009. Encouragingly though, from 2009 the Worcestershire economy has shown a relatively strong recovery, with an annual growth rate of 0.7%, representing the 7th highest annual average growth rate among the LEP economies[9].

Despite this recent recovery, the Worcestershire economy continues to be characterised by below average productivity – GVA per worker is estimated at £40,036, representing 86.8% of the Great Britain average[10], whilst GVA per person is estimated at£16,165- 94.6% of the West Midlands average and 77.6% of the Great Britain average[11].

Enterprise base - In 2012 there were some 22,155 VAT and/or PAYE based enterprises[12] (or 23,515 active enterprises in 2011[13]) in Worcestershire. There were 2,325 new enterprises in 2011, an increase of 6.9% on the previous year but still significantly below the number of births preceding the economic crisis (2,785 in 2006). The increase in the number of births in Worcestershire between 2010 and 2011 was below the West Midlands increase of 9.8% and the United Kingdom increase of 11.2%.

In 2011, there were 2,170 business deaths in Worcestershire, a decrease of 13.5% compared to the previous year. Worcestershire performed better than the West Midlands as a whole, which only saw a decrease of 10.5%, and the United Kingdom, which only saw a decrease of 7.9%. Worcestershire is also characterised by relatively high business survival rates. Among businesses that started in 2009, 76.4% were still active in 2011 compared to 73.6% in the West Midlands and 73.8% across the United Kingdom[14].

Worcestershire has a high number of Small and Medium sized Enterprises (SMEs) relative to its population base (6.2 SMEs per 1,000 working age population)[15] and a high self-employment rate (10.6%)[16], although the "enterprise churn rate" is relatively low[17] which may be indicative of limited competition and a high proportion of lifestyle businesses. Moreover, Worcestershire's enterprise base is characterised by a relatively large proportion (21.4%) of enterprises with a turnover of less than £49,000[18].

Inward investment - Worcestershire has had limited success in terms of attracting inward investment in the past, with the LEP area securing only 5 out of 63 inward investment projects in the West Midlands, resulting in 442 jobs[19]. As such growth and job creation has primarily come from the indigenous business base, which is principally made up of SMEs but also includes a number of large and well-known employers, such as Worcester Bosch,

9 LEGI analysis based on Regional Gross Value Added, ONS, 2007-2011
10 LEGI analysis based on Regional Gross Value Added, ONS, 2011; BRES, NOMIS, ONS, 2011
11 LEGI analysis based on Regional Gross Value Added, ONS, 2011; Mid-Year Population Estimates, NOMIS, ONS, 2011
12 UK Business: Activity, Size and Location, ONS, 2012
13 Business Demography, ONS, 2011
14 Ibid.
15 LEGI analysis based on UK Business: Activity, Size and Location, ONS, 2012; Mid-Year Population Estimates, NOMIS, ONS, 2012
16 LEGI analysis based on Annual Population Survey, ONS, 2011-2012
17 LEGI analysis based on Business Demography, ONS, 2011
18 UK Business: Activity, Size and Location, ONS, 2012
19 West Midlands European Service, May 2013, West Midlands' ERDF Socio-Economic Framework: Draft West Midlands' Overview (Version 5)

QinetiQ, Yamazaki Mazak, Morgan Motors, GKN and Brintons. However, there are significant barriers to growth. For example, in a recent survey of manufacturing businesses 35% stated that access to finance was constraining their ability to grow[20].

Employment base - Whilst output has recovered strongly since 2009, the performance in terms of employment has been less impressive. In fact, employment fell by 2.3% between 2009 and 2011, which is one of the sharpest falls in employment among the LEP economies during this period[21].

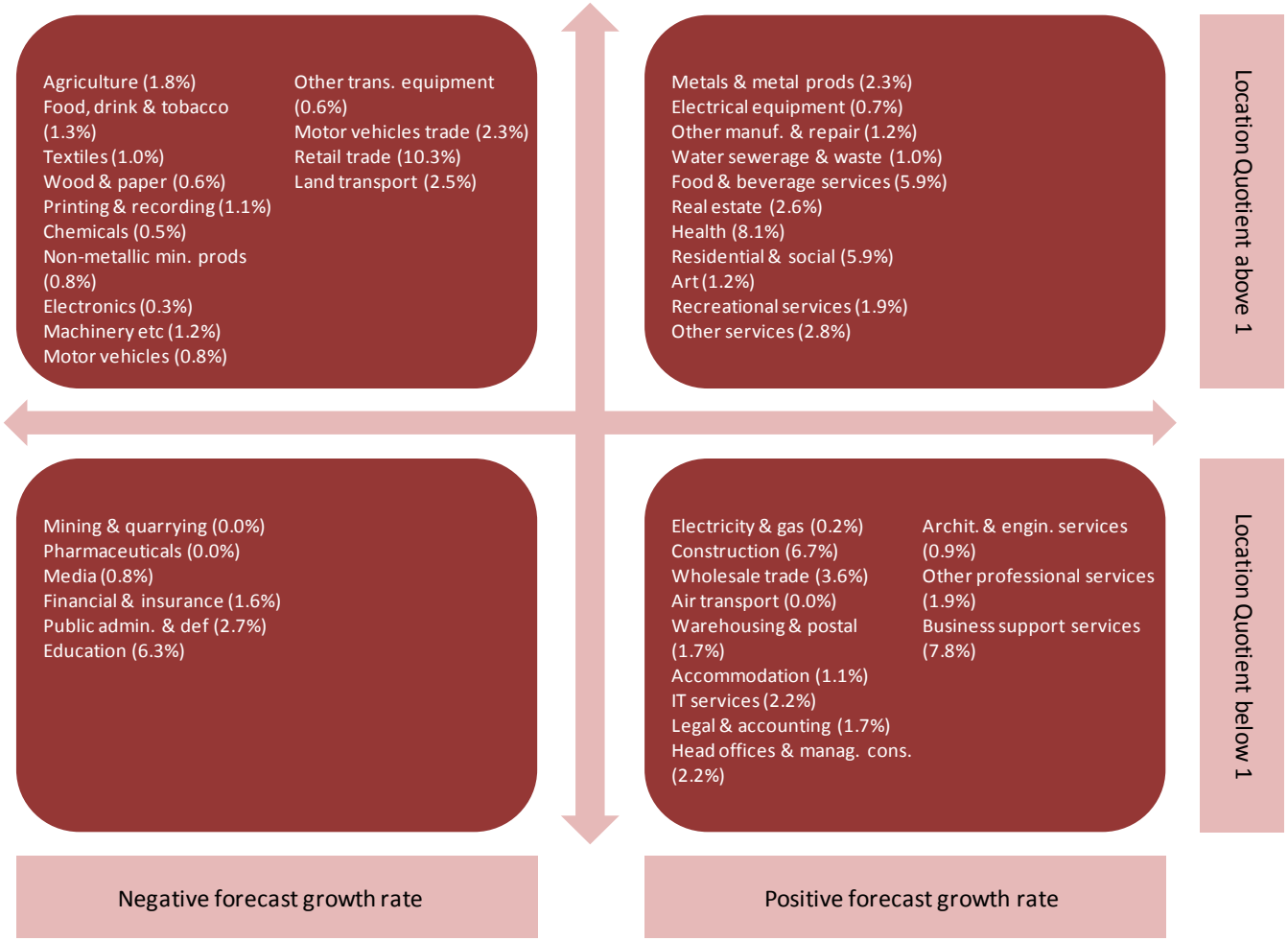
Sectoral structure - In terms of specific sectors, Worcestershire has particular strengths in relation to manufacturing (including high-technology industries), agri-tech, tourism and cyber security/defence. Indeed, with over 5% of employment in medium-high and high-technology manufacturing Worcestershire ranks third among the LEP economies[22]. Overall, the manufacturing sector accounts for over 14% of employment. Reflecting the concentration of economic activity in the production industries - Worcestershire has been defined as a "Producing Place" by the LEP Chairs Network. In addition, a small but important cluster of cyber security/defence businesses are located in Malvern, while the proportion of people employed in tourism-related industries in the WLEP area (9.2%) is higher than both the regional (7.8%) and national (9.0%) averages.[23]

Figures C1 and C2 compare the relative size of sectors within Worcestershire (as shown in the brackets) to their size nationally (as signified by the location quotient), as well as comparing the projected growth rates at the Worcestershire and national levels, based on forecasts produced by Cambridge Econometrics (2013). The analysis of future expected performance, both in terms of GVA and employment, supports the identification of manufacturing, horticulture/agriculture and food as key sectors. It also suggests that Worcestershire has some strengths in relation to construction and the property market. Whilst these are important sectors, they are based largely on derived demand and have not been included as target sectors.

[20] Worcestershire LEP, 2013, Economic Profile and Baseline Statistics Research Report on the Manufacturing Sector in the Worcestershire LEP area
[21] LEGI analysis based on BRES, NOMIS, 2009-2011
[22] Ibid.
[23] Based on BRES, NOMIS.

Figure C1: Worcestershire sector level analysis – GVA

Figure C2: Worcestershire sector level analysis – employment



Notwithstanding these sector strengths, Worcestershire is represented by a more limited knowledge economy in terms of services. The limited scope and scale of the knowledge based service economy is reflected in the below average productivity and average annual earnings. The WLEP area has a relatively high rate of patents per 100,000 working age residents over the period 2005 - 2010 (61 compared with an England average of 48 and a West Midlands average of 46).

With global integration continuing to be a key driver for growth, it is encouraging that employment in highly "contestable" (i.e. export and import intensive) industries account for a relatively high proportion of employment in Worcestershire (19.1%)[24]. However, it is understood that this potential is not being realised – with actual exports being relatively low. Indeed, according to a recent survey of manufacturing businesses only 38% of companies export goods outside of the UK[25].

Low carbon economy - Worcestershire exhibits a number of strengths in the Low Carbon Environmental Goods and Services (LCEGS) sector[26]:

- good support for LCEGS sector companies through Metnet and Worcestershire Business Central, which includes a resource efficiency business support programme for local SMEs;
- new centres of excellence are planned for engineering, construction and food production – all of which have a positive impact on the LCEGS sector's ability to support the development of a low carbon economy;
- leading UK manufacturer of energy efficient boilers and renewable energy options including solar and ground/air source heat pumps;
- a strong and established horticulture sector, with examples of exemplar low carbon projects;
- strong automotive supply chain (with links to Jaguar Land Rover) which may support the development of low carbon vehicles; and
- waste to energy facilities are increasing in capacity and power generation.

Overall, the LCEGS sector in WLEP is valued at over £1 billion in terms of sales and supports an estimated 7,600 jobs and over 400 businesses[27].

Occupational structure - Perhaps surprisingly, given the below average productivity rate and average annual earnings, the work-place based occupational structure in Worcestershire is relatively strong, with 48.8% of workers employed in highly skilled (SOC 1-3) occupations (compared with 39.7% in the West Midlands and 43.6% in Great Britain). Equally, the proportion of workers employed in low skilled (SOC 6-9) occupations is reasonable low at 36.0% (compared with 37.8% in the West Midlands and 34.7% in Great Britain)[28].

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24 LEGI analysis based on UK Input-Output tables and BRES, ONS, 2011

25 Worcestershire LEP, 2013, Economic Profile and Baseline Statistics Research Report on the Manufacturing Sector in the Worcestershire LEP area

26 Innovas, 2013, Supporting the Low Carbon Economy under the 2014-20 EU funding programme in the Marches, Worcestershire and Stoke & Staffordshire LEPs

27 BIS, 2013, Low Carbon Environmental Goods and Services (LCEGS): Report for 2011/12 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224068/bis-13-p143-low-carbon-and-environmental-goods-and-services-report-2011-12.pdf

28 LEGI analysis based Annual Population Survey, ONS, 2012

(ii) People

Population base - Worcestershire has a population of some 567,000. Its population has grown by 10.6% since 1991 which is above the Great Britain average. The productive capacity of the Worcestershire economy is, however, somewhat restricted by a relatively high proportion of the population aged 65 and over (19.4% compared 17.0% in West Midlands and 16.6% in Great Britain). Consequently, the working age population is below the regional and national averages. This is further exacerbated by the fact that there is a trend of out-migration among younger cohorts. Indeed, the working age population grew by only 1.3% between 2006 and 2011, representing a third of the Great Britain growth (3.9%)[29].

Whilst a large proportion of Worcestershire's land area is rural, over 70% of the population lives in urban areas.

Average earnings - At £24,543 average annual earnings (workplace-based) in Worcestershire is below both the regional and national averages (99.7% of West Midlands and 92.4% of Great Britain)[30]. Interestingly though, average annual earnings among Worcestershire residents is 9% higher than those of its workforce[31], suggesting that its residents benefit from well-paid jobs outside of Worcestershire. Indeed, the net outflow of workers is estimated at 37,200 in Worcestershire, with outward commuting being most significant in Bromsgrove and Wychavon (55% and 35% of residents working outside the WLEP area) and among highly skilled/paid occupations[32].

Labour market performance - The Worcestershire labour market is characterised by relatively high economic activity and employment rates[33]. Consequently, unemployment rates are also significantly below regional and national averages. Nevertheless, young people and the long-term unemployed represent an increasing share of the unemployed[34] and thus face particular issues in terms of entering and/or reintegrating into the labour market. Whilst remaining below the regional and national averages, the claimants per vacancy ratio of 2.3[35] suggests that the key to getting people into employment is to create more jobs, as well as ensure that the underutilised workforce meets the skills requirements of the employers (including both technical/job-specific skills and "softer skills" such as he right attitude, motivation and social skills). This would also serve to mitigate a trend whereby some businesses prefer to poach employees from other companies rather than employ the workless, this is particularly evident in relation to engineers.

Qualifications - In terms of qualifications, 32.5% of Worcestershire's working age population are qualified to NVQ level 4 or above, above the regional rate of 27.8% but below the Great Britain rate of 34.4%. 22.0% of the working age population are qualified to NVQ level 1 or below, similar to the national rate of 21.9% and below the regional rate of 26.5%[36].

The University of Worcester is a considerable asset to the WLEP area; providing skilled labour to the economy and being the fastest growing university in the country for the past three years (based upon the percentage increase in applications to undergraduate programmes). Whilst a majority of students are enrolled on courses relating to education and health (e.g. teacher and nursing training), a growing proportion of students are enrolled

29 LEGI analysis based on Mid-Year Population Estimates, NOMIS, ONS, 2006-2011
30 ASHE, NOMIS, ONS, 2012
31 LEGI analysis based on ASHE, NOMIS, ONS, 2012
32 Annual Populations Survey, ONS, 2013
33 Ibid.
34 DWP Benefits, NOMIS, 2013
35 Jobcentre Plus vacancies, NOMIS, ONS, November 2012; Claimant count, NOMIS, ONS, November 2012
36 LEGI analysis based on Annual Population Survey, ONS, 2012

on courses within the Business School and the recently established Institute for Science and the Environment. The University has an emerging provision of enterprise space and is also focusing on graduate entrepreneurship. The University is also home to a number of National Research Centres including:

- Association of Dimension Studies (ADS)
- Centre for People @ Work;
- Centre for Rural Research;
- National Pollen and Aerobiology Research Unit; and
- Centre for Ethical Leadership and Sustainability.

In terms of securing a highly skilled workforce for the future, it is also encouraging that an above national average share of pupils is attaining five or more GCSEs Grades A-C[37]. Nevertheless, nearly 1,000 or 5.4% of 16-18 year olds are categorised as NEETs (not in education, employment or training)[38].

Social inclusion and poverty - Just over 28,000 people (4.9% of the population) in Worcestershire live in a household with a median income less than £17,016 per annum, which is less than 60% of the median household income for England (the official Government definition of poverty). Across Worcestershire the greatest proportion of the population on a low income live in Wyre Forest, with 7,891 people representing 8.0% of the population. This is the equivalent of 9.5% of households in the area. Worcester and Wyre Forest also have a relatively proportion of the population and households on low incomes when compared to the county average[39].

According to the Index of Multiple deprivation, in which income deprivation is one component, approaching a fifth (16%) of Worcestershire's Lower Layer Strategic Output Areas (LSOAs) are in the most deprived 30% of SOAs in England[40].

(iii) Place

Transport – Worcester is well connected to most parts of the UK, particularly through the Strategic Road Network (SRN). However, access to /from the SRN is constrained in parts of the country due to constraints on the local highway network, particularly around urban areas with Worcester and Bromsgrove having particularly acute problems. Worcestershire is served by a range of regional and Inter-City rail services. However, there is no direct access to the Birmingham-Bristol Main Line, which passes through the country. Other facilities and services are constrained and there is considerable scope to enhance Worcestershire's rail infrastructure.

Broadband - Whilst the coverage of superfast broadband in Worcestershire is above the national average at 68.3%, the LEP area underperforms on a number of key broadband measures:

- average sync speeds are estimated at 11.2 Mbps (UK average of 12.7 Mbps)
- 13.8% do not receive speeds of 2 Mbps (UK average of 10.1%); and

[37] Department for Education Performance Table, 2011
[38] Department for Education, 2013
[39] Pay Check, CACI, 2011
[40] Index of Multiple Deprivation, DCLG, 2010

- take-up of superfast broadband stands at 6.3% of premises (UK average of 7.3%)[41].

This underperformance may, however, be mitigated by the recently confirmed investment of £20.75 million by BDUK, Worcestershire County Council and BT in Worcestershire's broadband infrastructure. This new investment will build upon the £8.4 million already invested by the County Council. This infrastructure investment aims to provide 90% of business and residential premises with access to superfast broadband by 2015. However, the deployment of broadband infrastructure is only part of the picture as there is a significant knowledge gap among SMEs in terms of how the opportunities offered by superfast broadband can transform their businesses. If not addressed, many businesses are unlikely to understand or realise the benefits of higher-level applications, and will therefore not invest in superfast broadband.

Housing - In terms of housing, and reflecting the demographic trends, including population growth, the number of dwellings in Worcestershire has increased significantly in the last decade. Indeed, in 2011 there were 246,190 dwellings, representing an increase of 7.7% compared to 2001. Whilst house prices have fallen following the economic crisis, affordability remains a significant issue in Worcestershire.

Environment and climate change - Worcestershire benefits from an attractive natural and historic environment and this is reflected in the above average life satisfaction rating for Worcestershire[42]. However, in the longer term this high quality natural environment may be threatened by increasing carbon emissions and sub-optimal energy efficiency in domestic and non-domestic buildings. Notably, local CO_2 emissions (kilo tonnes per 1,000 population) is estimated at 7.8, which is higher than both the West Midlands average (7.2) and the GB average (7.4)[43].

Linked to climate change, a major issue for Worcestershire's businesses and residents is flooding. Over the last few years, floods have occurred as a result of rivers such as the Severn, Avon and Teme bursting their banks and through flash flooding as a result of intense rainfall. In Worcestershire, approximately 10% of the land area is at risk of flooding. In the 2006 State of the Environment update, the number of properties at risk of flooding was around 4,000. This figure is now likely to have increased. Notably, Worcestershire has the second largest percentage land area at risk of flooding in the West Midlands region[44].

A further resource issue in Worcestershire relates to the water supply for businesses in the horticulture sector, which is worth £70 million to the Worcestershire economy, representing 20% of the West Midlands horticulture output. Notably, increasing regulation, droughts, and the longer-term risks of climate change threaten the sustainability of this industry and the rural livelihoods it supports[45].

Employment sites - Worcestershire currently lacks strategic employment sites, which has led to lost foreign direct and local investment, although the Game Changers programme is being developed to address this weakness. More generally, the shortage of suitable sites and premises is identified as a constraint on growth; limiting the options available to businesses that wish to move, expand or upgrade their premises.

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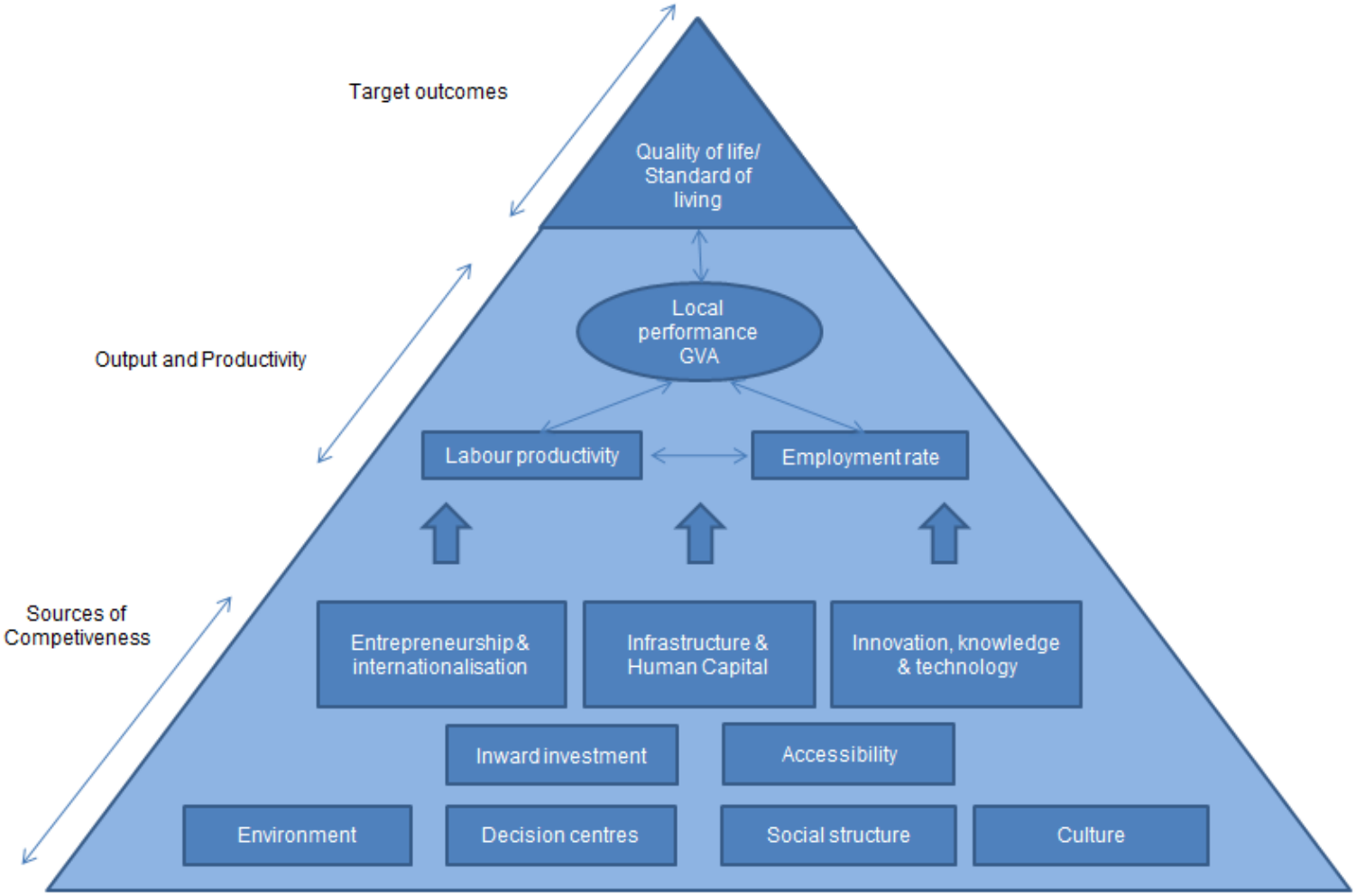
41 Ofcom, 2012, UK Broadband Speed http://maps.ofcom.org.uk/broadband/
42 LEGI analysis based on Subjective Well-being Experimental dataset, ONS, 2011/12
43 LEGI analysis based on DECC, 2012
44 Worcestershire Partnership, 2012, Properties at risk of flooding http://www.worcestershirepartnership.org.uk/cms/pdf/Properties%20at%20Risk%20of%20Flooding.pdf
45 Getting to the Heart of Horticulture: Opportunities and challenges for the horticulture and potato sectors in the West Midlands

Local Economic Growth Index (LEGI) analysis

The Local Economic Growth Index (LEGI) analysis is based upon a comprehensive theoretical framework that describes the range, and inter-connectedness, of economic drivers that determine competitiveness and growth at the local and regional level. In particular, this framework provides a starting point for examining and reviewing the current profile and performance of the WLEP economy.

Figure C3: The Pyramid Model of Local and Regional Competitiveness



Source: Adapted from Begg (1999), Camagni (1999), EC (1999), Jensen-Butler (1996), Lengyel (2003)

Notably, LEGI provides an evidence-based assessment of the local economy and helps to understand the fundamental characteristics of the economy, allowing the identification of key areas of strength that can be acted upon and challenges that have to be mitigated. Importantly, the LEGI tool allows some indicative separation between the sources or determinants of competitiveness and productivity and the socio-economic outcomes of such sources or determinants. Importantly, this enables the analysis to attempt some distinction between cause and effect so that the profile can be used as a diagnostic tool as well as a descriptive tool. As such, the analysis is structured to comprise indicators that measure:

- the quality of life and standard of living (the top of the pyramid);
- the output and productivity (the results of competitive pressures); and
- the sources or determinants of competitiveness and growth (e.g. infrastructure, human capital, innovation, entrepreneurship, etc.)[46].

Clearly, it will not provide answers to all policy questions but it represents a key component of successfully developing priorities and actions that have an 'unequivocal' evidence base. Another key benefit of the tool is that is presents and synthesises a wealth of disparate data sources into a readily accessible format. Furthermore, it allows LEP areas (and local authority districts) to be benchmarked and assessed against comparator areas (LEP areas, regions and the national average).

Whilst the content of LEGI is inevitably driven by the availability of local/LEP level data, it seeks to reflect national and EU policy objectives, LEP growth plans and sources of competitiveness and growth as far as possible.

Below we set out further detail on the thematic areas, and underlying indicators, that have been incorporated in the LEGI analysis:

Table C1: LEGI thematic areas, indicators and sources

Thematic area	Indicators	Sources
Quality of life & standard of living (top of the pyramid)	Average annual earning (£), residence-based	ASHE, NOMIS, ONS, 2012
	Life satisfaction, average rating	Subjective Well-being Experimental dataset, ONS, 2011/12
	Local CO2 emissions per 1,000 population	DECC, 2012
	Share of population living in most deprived areas (%)	Index of Multiple Deprivation, 2010
	Child poverty (%)	HMRC, 2010
	Claimant unemployment rate (%)	DWP Benefits, NOMIS, December 2012
Output and productivity (revealed competitiveness)	GVA per person (£)	Regional Gross Value Added, ONS, 2011; Mid-Year Population Estimates, NOMIS, ONS, 2011
	Labour productivity, GVA per worker (£)	Regional Gross Value Added, ONS, 2011; BRES, NOMIS, ONS, 2011
	Employment rate (%), two-year average	Annual Population Survey, ONS, 2011-2012

[46] Due to a lack of comparable and robust data some sources of competitiveness have not been quantified and measured in the LEGI analysis (i.e. those at the bottom of the pyramid).

Thematic area	Indicators	Sources
	Change in GVA (%)	Regional Gross Value Added, ONS, 2006-2011
	Employment growth (%)	BRES, NOMIS, 2009-2011
	Change in working age population (%)	Mid-Year Population Estimates, NOMIS, ONS, 2006-2011
Infrastructure & human capital	Highest qualification attainment by share of working age population (16-64): NVQ4+	Annual Population Survey, ONS, 2012
	Highest qualification attainment by share of working age population (16-64): NVQ1 or no qualifications (%)	Annual Population Survey, ONS, 2012
	Superfast broadband take up: share of premises (%)	OFCOM, 2012
	Change in total business rateable value (%)	Commercial and Industrial Floorspace and Rateable Value, ONS, 2005-2010
	Planning decisions (major development) within 13 weeks: share of total (%)	DCLG, 2012/13
Entrepreneurship & internationalisation	Number of SMEs (VAT and PAYE based) per 1,000 working age population	Business Demography, ONS, 2012; UK Business: Activity, Size and Location, ONS, 2012
	Enterprise churn rate (sum of births and deaths): share of enterprise stock (%)	Business Demography, ONS, 2012
	Self-employment rate (%), two-year average	Annual Population Survey, ONS, 2011-2012
	Employment in highly 'contestable' (export/import intensive) industries: share of total (%)	UK Input-Output tables and BRES, ONS, 2011
	Foreign-owned enterprises: share of total (%)	IDBR, 2010
Innovation, knowledge & technology	Number of patent applications per 100,000 working age population	OECD Regional Database, 2005-2010; Mid-Year Population Estimates, 2010
	Highly skilled (SOC 1-3): share of total (%), two-year average (workplace-based)	Annual Population Survey, ONS, 2011-2012
	Low skilled (SOC 6-9): share of total (%),two-year average (workplace-based)	Annual Population Survey, ONS, 2012
	High technology employment: share of total (%)	BRES, NOMIS, ONS, 2011
	Knowledge-intensive services: share of total (%)	BRES, NOMIS, ONS, 2011

Quality of life and standard of living

The most successful communities are those which offer residents a high standard of living and quality of life. Ultimately, it is a high standard of living that local leaders strive to provide

both their existing and potential residents, local community groups work towards and businesses seek to offer for their employees. In an era when there is intense competition for the most knowledgeable and the most skilled it is vital that efforts to bring about economic development and growth ensure a high quality of life and standard of living at the same time.

We have measured the quality of living and standard of life in the WLEP area using key indicators relating to average annual earnings, life satisfaction, local CO_2 emissions, extent of deprivation and child poverty and the claimant unemployment rate. Individual values on these indicators have been combined to create a composite index score[47] for quality of life and standard of living (Table C2).

In summary:

- The quality of life and standard of living is generally relatively high in the WLEP area, which largely reflects a relatively low child poverty rate and a below national average claimant unemployment rate.
- There are, however, some notable differences across the LEP area, particularly in terms average annual earnings and local CO_2 emissions which means that the LEP overall is below the national average on these measures.
- It is also clear that there are wide variations of deprivation across the LEP area. Indeed, whilst the extent of deprivation in Bromsgrove, Malvern Hills and Wychavon is relatively low, nearly a quarter of the population in Redditch live in the most deprived areas of England.

Output and productivity

A high quality of life and standard of living stem not only from an active economy with high employment, but increasingly from high value added activities and a productive workforce. The 'revealed competitiveness' of the WLEP area, in terms of output and productivity, is measured using indicators on GVA per person, GVA per worker, the employment rate and changes in GVA, employment and the working age population over the last few years (Table C3).

In summary:

- Whilst the WLEP area exhibits a high employment rate, the output and productivity performance is relatively low. This is likely to reflect a relatively low productivity rate (and share of high value added activities) within the area.
- Indeed, gross value added (GVA) per person, a common measure of economic output, is estimated at £16,165. This represents 77.6% of the national average and is also below the average for the West Midlands region. Similarly, GVA per worker, a common measure of productivity, is estimated at £40,036, representing 86.8% of the national average. The difference in the relative performance of GVA per person and GVA per worker is indicative of a net out-commuting working population.
- The trajectory of the WLEP's economy has been below the national average in terms of GVA, employment and working age population growth in recent years. The WLEP ranks particularly low in terms of GVA and employment growth.

Infrastructure and human capital

[47] Composite scores for each thematic area represent unweighted averages of underlying indicator scores. In all cases indicator scores are indexed against the national average (GB=100).

In evaluating WLEP's stock of human capital and infrastructure we have focused particularly on the skills profile of the resident workforce, broadband speed, the total value of the commercial and industry floor space and the effectiveness of the planning authority in terms of major developments. Notably, higher skills levels among the resident population are generally considered an essential prerequisite to raising productivity, facilitating the shift towards higher value-added, higher wage economic specialisation (Table C4).

In summary:

- The WLEP generally performs reasonably well in terms of the skills levels of the resident age population (the exceptions being Redditch and Wyre Forest). Around a third of the resident working age population is educated to degree level or above (NVQ4+).
- Less than half of the major planning decisions have been made within 13 weeks (a target for most planning authorities). However, the local planning authorities have been working closely with the WLEP to help promote and facilitate growth. The below average change in the total rateable value for commercial and industrial property is indicative of limited growth in the commercial and industrial property market, Take up of superfast broadband is also estimated to be relatively low in the LEP area.

Entrepreneurship and internationalisation

Here we consider the relative strength and competitiveness of local 'entrepreneurial culture' together with measures of internationalisation ('contestability', or export and import intensity, and foreign-ownership). Whilst inward investment represent the most direct and immediate form of employment generation, increasingly, the impetus for future local economic and employment growth is likely to rest with the quality of indigenous small and medium sized enterprises (SMEs), particularly those that exploit export and import opportunities (Table C5).

In summary:

- Whilst being characterised by a high business density of more than 6 SMEs per 1,000 working age population and a self-employment rate of approaching 11%, the WLEP area has a relatively low enterprise churn rate, which is indicative of limited competition (or 'creative destruction').
- In terms of the internationalisation measures, it is clear that the WLEP area has an above average share of employment in sectors that have a higher propensity to export and import. The proportion of foreign-owned enterprises is marginally below the national average[48], although they account for a substantially lower share of employment and turnover than the national average. Notably, foreign owned businesses account for a particularly high share of employment and turnover in Redditch and Worcester.

Innovation, knowledge and technology

In evaluating innovation, knowledge and technology we have focused on the occupational structure, employment in technology and knowledge-intensive sectors and patent applications (Table C6).

[48] For the majority of the enterprises in the IDBR database the country of ownership is unknown and thus the volume (and rate) of foreign owned enterprises should be considered as the minimum estimates rather than absolute figures.

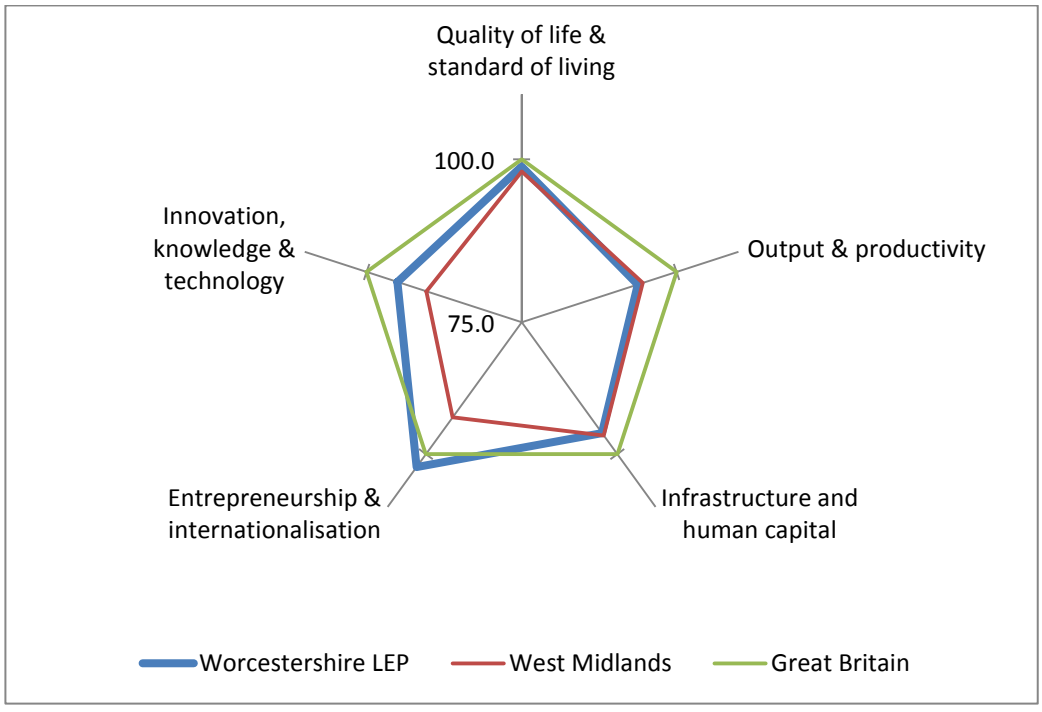
In summary:

- The WLEP area has a comparatively strong high technology manufacturing base, particularly so in Redditch, which is reflected in its score and rank on this measures. However, it still only accounts for 5% of employment in the WLEP are and thus is likely to have only a limited impact of the overall economic growth and standard of living in the area.
- With the exception of Worcester, the WLEP area has a relatively low share of employment in knowledge-intensive services, accounting for 42% of employment compared to 48% nationally.
- Perhaps reflecting the strong performance in terms of high technology manufacturing, the WLEP also performs strongly in terms of patent applications.
- In terms of the occupational structure of the LEP area, it would appear that the WLEP economy is slightly polarised, with comparatively high levels of both highly skilled workers and low skilled workers.

Overall profile and performance

The preceding analysis has benchmarked and evaluated the WLEP area's relative performance against a range of key competitiveness factors. By way of summarising the profile and performance of the WLEP area, the figure below presents how it scores on each of the thematic areas presented above. Figure C4 uses a radar graphic to compare WLEP's economy overall, relative to the West Midlands region and GB as a whole.

Figure C4: LEGI summary – WLEP

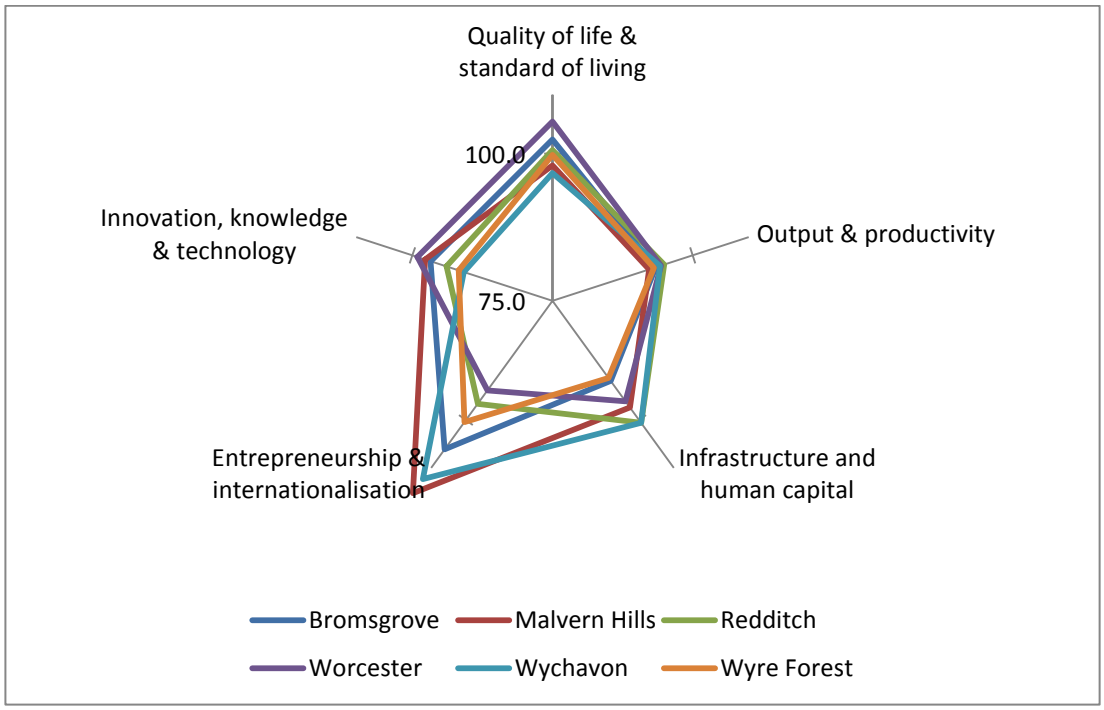


Source: LEGI analysis

There are several key messages that emerge from the preceding analysis:

- In terms of the sources or determinants of competitiveness and productivity, the WLEP's strongest comparative performance is in relation to entrepreneurship and internationalisation, with this largely reflecting a particularly high SME density rate and self-employment rate.
- Whilst the profile and performance in terms of innovation, knowledge and technology is generally below the national average, there are some encouraging aspects in relation to this thematic area, including a strong high technology manufacturing base, a strong performance in relation to patent applications and a high proportion of workers in highly skilled jobs. To a considerable extent, this reflects a significant number of engineering and technology firms located within the WLEP area. Such firms include emerging and developing SMEs, as well as large established companies such as Worcester Bosch and Yamazaki Mazak.
- Infrastructure and human capital represents an area in which the Worcester LEP exhibits the weakest comparative performance, in terms of its overall rank. To a considerable extent, this reflects its performance in relation to the infrastructure measures, particularly the speed of planning decisions in relation to major developments. Indeed, in terms of the qualifications of the resident working age population the WLEP performs reasonably well.
- Notwithstanding the strong performance across some of the sources or determinants of competitiveness and productivity, it is the case that the LEP area still performs comparatively weakly in terms of the key measure of output and productivity (GVA per person/worker), whilst still maintaining a high employment rate. Worryingly, the trajectory of GVA, employment and working age population growth has also been relatively weak in recent years.
- The comparatively weak performance in terms of output and productivity is also reflected in the performance of some of the standard of living measures, most notably average annual earnings. There are also pockets of deprivation across the LEP area, most notably in Redditch. Encouragingly though, the extent of child poverty and claimant unemployment rates are relatively low and life satisfaction is estimated to be slightly higher than the national average.

Figure C5: LEGI summary – Local authority districts



In summary:

- The thematic area in which all constituent local authority districts of the WLEP area perform comparatively well on is entrepreneurship and internationalisation, with this particularly reflecting the strong performance in terms of the SME density and self-employment rate, as well as the share of employment in highly 'contestable' sectors.
- The profile and performance in terms of innovation, knowledge and technology is also reasonable strong in some districts (Worcester, Redditch and Malvern Hills), with this particularly reflecting the strong performance in terms of high technology manufacturing and highly skilled work more generally.
- By contrast, infrastructure and human capital appear to be the thematic area with the most consistently weak performance, although this largely reflects the profile and performance in relation to the change in total rateable value and the speed of planning decisions as opposed to the skills levels of the resident working age population.

The variant performance across the LEP in relation to some of the sources or determinants of competitiveness has resulted in some differences in terms of output and productivity and ultimately the quality of life and standard of living.

Table C2: Quality of life & standard of living

	Average annual earnings (£), 2012			Life satisfaction (average rating), 2011/12			Local CO2 emissions (kilotonnes) per 1,000 population, 2010			Share of population living in most deprived areas, 2008			Child poverty: share of all children (%), August 2010			Claimant unemployment rate (%), May 2013			Quality of life & standard of living	
Area	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Score	Rank
Bromsgrove	£29,052	109.4	92	7.51	101.4	119	8.9	83.2	291	0.9%	108.9	69	8.1%	109.9	41	2.0%	101.6	97	102.4	145
Malvern Hills	£23,437	88.3	306	7.51	101.4	119	9.0	82.6	296	3.1%	106.7	118	10.5%	107.5	96	2.0%	101.6	97	98.0	236
Redditch	£22,103	83.2	347	7.51	101.4	119	5.6	131.8	89	23.0%	86.8	240	18.2%	99.8	252	3.2%	100.4	216	100.6	185
Worcester	£25,837	97.3	188	7.51	101.4	119	5.4	137.7	70	16.2%	93.6	205	15.9%	102.1	212	3.3%	100.3	228	105.4	92
Wychavon	£25,359	95.5	204	7.51	101.4	119	11.2	66.6	343	1.8%	108.0	93	11.0%	107.0	113	2.0%	101.6	97	96.7	251
Wyre Forest	£21,470	80.9	363	7.51	101.4	119	6.1	121.8	127	16.3%	93.5	206	16.7%	101.3	222	3.7%	99.9	251	99.8	205
Worcestershire LEP	**£24,543**	**92.4**	**27**	**7.51**	**101.4**	**14**	**7.8**	**95.2**	**24**	**N/A**	**N/A**	**N/A**	**13.4%**	**104.6**	**13.0**	**2.7%**	**100.9**	**16**	**98.9**	**22**
West Midlands	£24,617	92.7	8	7.27	98.2	10	7.2	103.4	5	N/A	N/A	N/A	20.7%	97.2	9	4.4%	99.2	9	98.1	6
Great Britain	£26,551	100.0	N/A	7.405	100.0	N/A	7.4	100.0	N/A	9.8%	100.0	N/A	18.0%	100.0	N/A	3.6%	100.0	N/A	100.0	N/A

Table C3: Output & productivity

	GVA per person (£), 2011			GVA per worker (£), 2011			Employment rate (%), January to December 2011-2012 (two-year average)			Average annual GVA growth (%), 2006-2011			Employment growth (%), 2009-2011			Change in working age population (%), 2006-2011			Output & productivity	
Area	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Score	Rank
Bromsgrove	£16,165	77.6	267	£40,036	86.8	287	74.9%	104.5	122	1.5%	99.0	304	-4.1%	96.2	317	0.2%	96.3	292	93.4	288
Malvern Hills	£16,165	77.6	267	£40,036	86.8	287	71.1%	100.7	222	1.5%	99.0	304	-6.8%	93.5	359	-0.2%	95.9	307	92.3	321
Redditch	£16,165	77.6	267	£40,036	86.8	287	77.4%	107.0	62	1.5%	99.0	304	-3.2%	97.1	289	5.9%	102.0	92	94.9	227
Worcester	£16,165	77.6	267	£40,036	86.8	287	70.1%	99.7	246	1.5%	99.0	304	-0.1%	100.2	160	6.7%	102.8	68	94.3	246
Wychavon	£16,165	77.6	267	£40,036	86.8	287	76.9%	106.5	73	1.5%	99.0	304	-0.6%	99.8	184	-0.8%	95.3	321	94.2	253
Wyre Forest	£16,165	77.6	267	£40,036	86.8	287	74.1%	103.7	139	1.5%	99.0	304	-1.6%	98.8	233	-3.3%	92.7	368	93.1	299
Worcestershire LEP	**£16,165**	**77.6**	**28**	**£40,036**	**86.8**	**29**	**74.2%**	**103.8**	**15**	**1.5%**	**99.0**	**34**	**-2.3%**	**98.1**	**34**	**1.3%**	**97.4**	**31**	**93.8**	**27**
West Midlands	£17,486	83.9	8	£39,879	86.5	10	67.8%	97.4	9	1.8%	99.3	10	0.0%	100.3	3	3.8%	99.9	4	94.5	8
Great Britain	£20,843	100.0	N/A	£46,113	100.0	N/A	70.4%	100.0	N/A	2.4%	100.0	N/A	-0.3%	100.0	N/A	3.9%	100.0	N/A	100.0	N/A

Table C4: Infrastructure and human capital

	Highest qualification by share of working age population (16-64 years): NVQ4+ (%), Jan to Dec 2011-2012 (two year average)			Highest qualification by share of working age population (16-64 years): NVQ1 or no qual (%), Jan to Dec 2011-2012 (two year average)			Superfast broadband take up: share of premises (%), 2012			Change in total rateable value (%), 2005-2010			Planning decisions (major development) within 13 weeks: share of total (%), year ending March 2013			Infrastructure & human capital	
Area	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Score	Rank
Bromsgrove	33.5%	99.9	161	20.9%	101.9	143	6.3%	99.0	197	19.8%	98.0	153	18.0%	60.3	318	91.8	308
Malvern Hills	38.9%	105.3	80	20.9%	101.9	142	6.3%	99.0	197	22.2%	100.3	108	38.0%	80.3	274	97.3	201
Redditch	24.9%	91.2	307	28.5%	94.3	326	6.3%	99.0	197	10.0%	88.1	307	88.0%	130.3	11	100.6	117
Worcester	33.4%	99.8	165	24.1%	98.7	235	6.3%	99.0	197	15.6%	93.7	218	47.0%	89.3	228	96.1	232
Wychavon	34.2%	100.6	152	20.2%	102.6	132	6.3%	99.0	197	21.2%	99.3	124	59.0%	101.3	148	100.5	120
Wyre Forest	25.0%	91.3	306	26.9%	95.9	303	6.3%	99.0	197	16.1%	94.3	210	33.0%	75.3	295	91.1	313
Worcestershire LEP	**31.6%**	**97.9**	**17**	**23.5%**	**99.3**	**18**	**6.3%**	**99.0**	**24**	**16.9%**	**95.0**	**22**	**46.6%**	**88.8**	**36**	**96.0**	**35**
West Midlands	27.1%	93.4	10	27.4%	95.4	11	6.6%	99.3	5	12.8%	91.0	9	61.0%	103.3	2	96.5	8
Great Britain	33.7%	100.0	N/A	22.8%	100.0	N/A	7.3%	100.0	N/A	21.9%	100.0	N/A	57.7%	100.0	N/A	100.0	N/A

Table C5: Entrepreneurship & internationalisation

	Number of VAT and/or PAYE based SME enterprises per 1,000 working age population, 2012			Enterprise churn rate (sum of births and deaths): share of total (%), 2012			Self-employment rate (%), January to December 2011-2012 (two year average)			Employment in highly 'contestable' (export/import intensive) industries: share of total (%), 2011			Foreign-owned enterprises: share of total (%), 2010			Entrepreneurship & internationalisation	
Area	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Score	Rank
Bromsgrove	7.1	136.0	81	18.6%	97.5	284	10.7%	101.3	150	15.0%	96.4	272	0.9%	99.7	167	106.2	98
Malvern Hills	8.9	170.4	24	17.9%	96.8	313	15.0%	105.6	28	23.1%	104.5	46	0.5%	99.3	275	115.3	22
Redditch	4.3	82.7	259	20.1%	99.0	188	6.1%	96.7	342	21.8%	103.2	67	2.4%	101.2	21	96.6	248
Worcester	4.0	76.8	281	21.8%	100.7	102	7.2%	97.8	297	12.4%	93.8	332	1.1%	99.9	106	93.8	298
Wychavon	8.1	154.4	46	18.4%	97.3	290	13.6%	104.2	48	24.7%	106.1	35	1.2%	100.0	90	112.4	39
Wyre Forest	5.3	101.2	195	19.1%	98.0	242	11.2%	101.8	128	20.4%	101.8	99	0.5%	99.3	287	100.4	196
Worcestershire LEP	**6.2**	**118.9**	**13**	**19.1%**	**90.5**	**29**	**10.6%**	**112.8**	**14**	**19.1%**	**102.7**	**13**	**1.0%**	**87.4**	**14**	**102.4**	**11**
West Midlands	4.8	91.8	6	20.5%	96.9	4	8.5%	90.4	6	18.3%	98.4	7	1.0%	87.5	3	93.0	6
Great Britain	5.2	100.0	N/A	21.1%	100.0	N/A	9.4%	100.0	N/A	18.6%	100.0	N/A	1.2%	100.0	N/A	100.0	N/A

Table C6: Innovation, knowledge and technology

	Number of patent applications per 100,000 working age population, 2005-2010			Highly skilled - share of total (%), workplace-based, January to December 2011-2012			Low skilled - share of total (%), workplace-based, January to December 2011-2012			Employment in high/medium-high technology industries; share of total (%), 2011			Employment in knowledge-intensive service industries: share of total (%), 2011			Innovation, knowledge & technology	
Area	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Score	Rank
Bromsgrove	61.1	106.4	114	45.5%	101.9	94	30.7%	103.9	65	3.0%	100.1	173	45.8%	97.5	174	96.7	115
Malvern Hills	61.1	106.4	114	50.4%	106.8	38	30.1%	104.5	57	5.2%	102.3	68	43.2%	94.9	227	97.8	113
Redditch	61.1	106.4	114	42.1%	98.5	151	40.5%	94.2	289	10.3%	107.4	11	37.6%	89.3	325	93.9	132
Worcester	61.1	106.4	114	53.1%	109.5	29	30.6%	104.1	61	3.0%	100.1	173	50.0%	101.7	99	99.1	104
Wychavon	61.1	106.4	114	36.0%	92.4	269	43.6%	91.0	343	5.5%	102.6	58	36.1%	87.8	346	90.8	167
Wyre Forest	61.1	106.4	114	34.1%	90.5	310	39.1%	95.6	259	4.8%	101.9	77	38.7%	90.4	314	91.7	154
Worcestershire LEP	**61.1**	**106.4**	**14**	**43.8%**	**100.2**	**12**	**36.0%**	**98.7**	**15**	**5.2%**	**102.3**	**3**	**42.1%**	**93.8**	**35**	**95.1**	**18**
West Midlands	45.6	98.8	6	39.7%	96.1	7	37.8%	96.9	7	4.3%	101.4	2	45.0%	96.7	9	90.4	6
Great Britain	47.7	100.0	N/A	43.6%	100.0	N/A	34.7%	100.0	N/A	2.9%	100.0	N/A	48.3%	100.0	N/A	100.0	N/A

Strategic, national and EU policy context

The UK is currently in a period of wide-ranging policy reform and public funding austerity. The Coalition Government's key priorities of driving growth, together with reducing the national deficit are closely linked. The new model of sustainable and balanced growth is based on a larger and more dynamic private sector, with increased business investment.

The Government is committed to rebalancing the UK economy - structurally, geographically and sectorally. Its Plan for Growth aims 'to achieve strong, sustainable and balanced growth that is more evenly shared across the country and between industries' (HM Treasury, 2011).

The Strategy for Sustainable Growth (BIS, 2010) sets out long-term plans for 'a sustainable economy that is greener, more enterprising, more technologically advanced, more balanced across the regions and grounded in diverse sources of sectoral strength.' It states that sustainable growth must be driven by the private sector and requires investment in the UK's productive capacity.

In terms of the sectoral focus for growth, the Plan for Growth (2011) lists a number of sectors that could be targeted for growth (and proposals for how this could be encouraged). The priority sectors included advanced manufacturing, construction and tourism, which are important sectors in the Worcestershire economy.

The policy priorities of the EU's growth strategy (Europe 2020) are that growth should be:

- smart, through more effective investments in education, research and innovation;
- sustainable, through a move towards a low-carbon economy; and
- inclusive, with a strong emphasis on job creation and poverty reduction.

The Common Strategic Framework (CSF) has a number of objectives to which Structural and Investment Funds will contribute: RTDI (Thematic Objective 1 - TO1); ICT (TO2); SME competitiveness (TO3); Low carbon (TO4); Climate change adaptation (TO5); Environmental protection (TO6); Sustainable transport (TO7); Employment (TO8); Social inclusion (TO9); and Skills (TO10).

Market failures and barriers to growth and jobs

The Strategic Economic Plan and ESI Funds Strategy have been designed to tackle a range of market failures and barriers to the growth of Worcestershire, including:

- Externalities represent one of the main areas of market failure that needs to be addressed. Externalities occur when businesses or individuals do not bear the full costs and/or benefits of their activity. For example, investment by a firm in research and technological development may benefit the sector as a whole, as well as the individual business. Where such externalities exist, the market will not deliver an efficient quantity of a good or service. Indeed, when making business decisions people tend to ignore 'external' costs or benefits. Consequently, when activities result in 'external' benefits (positive externalities – e.g. education and training) there will be an under-production of the good/service in question from the point of view of society as a whole. Similarly, when activities result in 'external'

costs (negative externalities – for example, environmental pollution) there will be an over-production.

- Another type of market failure relates to information failures, which may lead to underinvestment in particular areas, including new technologies (such as superfast broadband), innovation and energy efficiency. In markets such as those for new technologies, there can be a high degree of uncertainty. This can often lead to people not being confident enough to make investment decisions. Innovation, for example, is by definition an uncertain business. Those with ideas for creating a new product or process cannot be sure that the technology works, that there will be a market demand or that others will not get to the market beforehand with a similar or better product. An SME is often vulnerable financially because its success is tied to its core business and it cannot diversify its risks. In undertaking an investment in R&D, an SME is spending a large proportion of its budget in an area in which the returns and associated timescales are uncertain. There is at present no market to enable firms to insure against this risk because of the usual market failures associated with insurance markets (adverse selection and moral hazard). This risk therefore can and does lead to SMEs 'playing it safe'.
- In terms of barriers to growth, the lack of basic skills, higher-level and sector-specific skills deficits, infrastructure, the environment and suitable business and residential accommodation represent significant concerns.
- Unemployment among young people, including university graduates, represents a significant issue for Worcestershire and the UK as a whole. The delay in entering the labour market will impact on the lifetime earnings potential and may increase the likelihood of becoming disengaged from the labour market in the longer term. The effect of a situation whereby university graduates are forced to take jobs that do not use their skills may result in university graduates finding themselves demoted, at least in the eyes of potential employers, to the status of low-skilled workers, which will mean that their education goes to waste.
- Another significant barrier to growth, and important characteristic of unemployment in recent years, is that a much greater proportion of the unemployed are out of work for 12 months or longer. Some economists would argue that this represents the greatest barrier to employment, as opposed to a shortage of skills. Indeed, research has shown that businesses are wary of hiring people that have been unemployed for more than six months. Thus, if workers who have been jobless for extended periods come to be seen as unemployable, that represents a long-term reduction in the economy's effective workforce and hence its productive capacity.

More specific information about the market failures that will be addressed through the ESI Funds Strategies priorities and thematic objectives are included in Appendix E and in the separate spreadsheet submitted with the Strategy.

Future drivers and trends

In order to develop an effective strategy it is important to understand the key drivers of future change. Whilst there remains very considerable uncertainty over the precise nature of future developments and trends, recent forecasts for the UK economy and of Worcestershire have been reviewed and the implications of key drivers of growth assessed.

Most commentators predict a continuing period of slow growth. The scale of the slump is such that 'normal' patterns of economic growth cycles do not necessarily apply. However, taking a medium to longer term perspective, economic growth and population forecasts indicate:

- the latest independent average medium term growth forecast for the period 2013-2017 presented by HM Treasury suggests that the UK economy will grow in 2013 (albeit a relatively modest growth of 1.1%) and then steadily grow over the next few years (by 2.1% in 2017);
- reference case (without intervention) forecasts produced by Cambridge Econometrics estimate that the Worcestershire economy will grow to £2.1 billion (2009 prices) by 2025, representing a 23.6% increase on the baseline in 2013. In terms of employment, the Worcestershire economy is forecast to create an additional 15,600 jobs by 2025 (+6.0%). In comparison, the West Midlands and the UK are forecast to grow in total by 23.8% and 25.7% in terms of GVA and by 7.7% and 6.5% respectively in terms of employment. However, due to supply-side constraints, which are not reflected in the economic forecasts, it is considered unlikely that this scale of growth would be achieved without significant public sector intervention; and

Figure C6(a): Forecast GVA growth

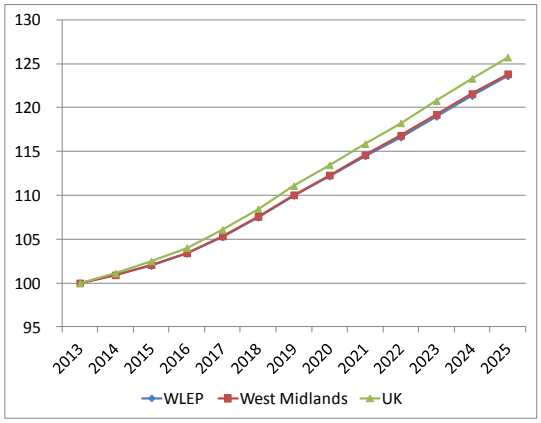
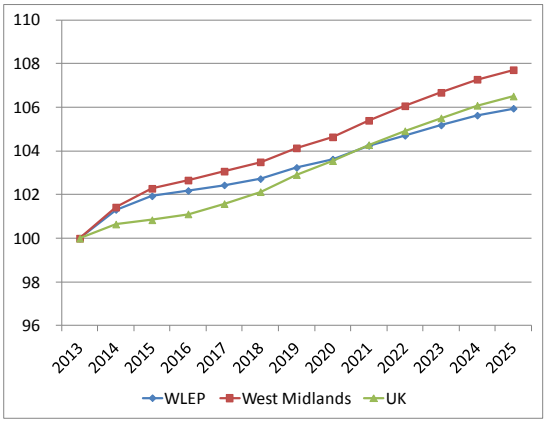


Figure C6(b): Forecast employment growth



- Worcestershire's working age population (16-64 years) is shrinking in absolute terms as well as in proportion to the total population as a result of demographic ageing. This trend is forecast to continue in the medium term, with the working age population forecast to fall by 3.1% in absolute terms by 2021 (from some 356,000 to 345,000). By contrast, in the West Midlands as a whole, the working age population is projected to grow by nearly 65,000 by 2021, representing an increase of 1.8%. However, after allowing for changes in the retirement age, the working age population of Worcestershire is forecast to increase, albeit

at a lower rate than the West Midlands. Overall, the population is forecast to increase by approaching 5% by 2021 in Worcestershire. These demographic trends will have important implications on labour supply, consumer demand and housing

- Major economic investment in Birmingham and Solihull. Developments particularly at Longbridge, Birmingham City Centre, HS2, Solihull's 'UK Central' and through Jaguar Landrover's anticipated £1.5 billion investment in Solihull.

Further to the above headline forecasts, there are also a number of structural emergent trends:

- Major economic restructuring of the UK economy and other western economies are undergoing major economic restructuring. The core, structural problem of the 'old' economy was that much of the incremental employment growth, and to a lesser extent GVA growth, over the past couple of decades was accounted for by sectors such as retail and real estate, as well as the public sector. Notably, these sectors are characterised by their non-tradable nature and localised demand profile (i.e. predominantly serving domestic markets). Given the significant public sector cuts and reduced consumer spending in the UK and locally, Worcestershire cannot afford to rely on these sectors in the future. It will therefore be important to build upon the significant potential of the traded manufacturing base of Worcestershire.
- The ascent of the BRIC (Brazil, Russia, India and China) economies - the other big structural shift in the global economy is that economic growth is increasingly taking place outside the UK and other western economies. Indeed, the last decade saw the BRIC economies becoming major players in the global economy, with their share of world GDP growing from a sixth to almost a quarter (in purchasing power parity (PPP) terms). This should be viewed as a market opportunity rather than a threat. Indeed, the 'winners' in the next economy will be those who support firms to tap into emerging markets through exports and new sources of aggregate demand.
- The re-emergence of manufacturing opportunities in advanced economies - a new era of truly global manufacturing opportunities and a strong long-term future for manufacturing, in advanced and developing countries, is emerging. The new era of manufacturing will be marked by highly agile, networked enterprises that use information and analytics as skilfully as they employ talent and machinery to deliver products and services to diverse global markets. It is important that Worcestershire responds to this evolving nature of manufacturing and act on the powerful trends shaping the global competitive environment, in order to thrive and grow.
- Adoption of low carbon and environmental goods and services - leaders in the next economy will invent and deploy clean economy goods and services. Rapid urbanisation worldwide has pushed up the global demand for environmentally friendly goods and services, such as energy efficient appliances and building technologies, smart grid, sustainable land use planning and infrastructure, and organic foods. Hence, UK low carbon and environmental goods and services generated £128.1 billion in sales in 2011/12 (£3.4 trillion globally). The sector is expected to show a steady increase in growth from 4.8% in 2011/12 to 5.9% by 2015/16. The West Midlands currently account for approximately 8% of the UK market in this sector (in terms of sales), primarily driven by alternative fuels,

alternative fuel vehicles and wind. WLEP accounts for approximately a tenth of the West Midlands sales, which is largely in line with its share of total employment. Currently, a relative small share of sales are made up of exports - £12.2 billion or less than 10% of sales for the UK as a whole.

- Intensity of outsourcing and off-shoring/repatriation - in the future, the intensity of outsourcing is likely to increase. This is likely to involve a broad range of functions – although those activities which are less likely to be involved, either because 'commoditisation probability' is low or else because such actions are likely to be unsustainable:
    - proximate tasks requiring face-to-face contact or the physical movement of products (e.g. retail (non-internet), wholesaling and construction);
    - high knowledge content value add tasks consumed largely at source (e.g. healthcare, professional services); and
    - public sector tasks (though some will be open to unbundling and outsourcing).

As well as the risks of off-shoring the outsourced activities, there are significant opportunities of repatriating supply chains, for example, in the automotive sector with substantial potential for local SMEs.

Appendix D - Consultation summary

WLEP continues to work extensively with local stakeholders. These groups are currently developing detailed project proposals and delivery arrangements, which will be finalised before March 2014.

WLEP Consultation Strategy

The WLEP incorporates stakeholder engagement as an integral part of the Strategic Economic Plan and ESI Funds Strategy process (see corresponding WLEP timeline in Appendix A and the list of partners and stakeholders involved in Appendix B). The WLEP continues to broaden and deepen its reach with wide ranging perspectives and interests as Sub Groups, sector groups, cross cutting groups, WLEP partners and external alliances with others shape delivery plans and specific programme and project initiatives.

WLEP SEP & ESI Funds Strategy Task and Finish Group

The Task and Finish Group oversees the Strategic Economic Plan and ESI Funds Strategy process on behalf of the WLEP Board; comprising membership from the business community, Local Nature Partnership and environment sector, Worcestershire Voices (third sector strategic body), University of Worcester, Leaders' Panel and all local authorities, WLEP Board and Business Board, housing sector, rural sector, social inclusion sector, social enterprise sector and County Landowners Association.

WLEP Planning Development & Infrastructure Sub Group

The Sub Group drives the implementation of the WLEP and Local Planning Authorities' Planning Charter and incorporates the housing theme. It has membership from all authorities, statutory consultees (Environment Agency, Highways Authority, Highways Agency, English Heritage, Natural England, Local Transport Board etc) and the business community. Its purpose is to develop a) spatial plan which promotes inward investment around key sites, infrastructure schemes, housing and employment/economic opportunities; b) develop a Game Changers Programme of flagship sites ready for expanding indigenous businesses or new external investors; and c) Development Management initiatives which establish a business friendly planning culture.

WLEP Access to Finance Sub Group

The Sub Group has established and launched a new business-backed access to finance portal which is continually refreshed. The portal is the delivery model for a range of signposted contacts, variety of funding and specialist expertise which is a currently a major barrier to local business growth. A series of events and an awareness raising programme is underway with Find It In Worcestershire, Chamber of Commerce and other partners to support businesses in becoming "investor ready".

WLEP Employment and Skills Board

The ESB comprises business, education and skills providers as well as key funding and commissioning agencies alongside representatives from the Skills Funding Agency, national Apprenticeship Services and Jobcentre Plus. An ESB strategy frames the corresponding action plan with a focus on a) Skills and Workforce Planning - increasing apprenticeships, improving talent management and increasing private sector investment in skills; b) Strengthening the relationship between schools and businesses – building a clearer picture of skills required and harnessing opportunities created under academy status; and c) Increasing employability - addressing youth unemployment, developing graduate level opportunities and building better mechanisms to identify job opportunities and support local recruitment and helping small business recruit.

WLEP National Profile and Promotion Sub Group

The Sub Group has been formed to steer the WLEP communications strategy namely; using website, social media channels and traditional media such as feature news and magazine articles, press releases, news feeds through BBC Midlands Today and local radio; creating an investment brochure and investment film marketing Worcestershire to the rest of UK, Europe and globally; and producing the, WLEP Annual Report 2013 and WLEP Annual Conference in October 2013.

Manufacturing Sector

The sectoral Sub Group has published the Worcestershire Manufacturing Study and the findings are shaping the next stage of the WLEP manufacturing strategy. WLEP, Liverpool City Region LEP and 5 West Midlands LEPs are working together with SEMTA to address a cohesive approach which supports, equips and expands local workforces with manufacturing, engineering and production skills at all levels in the automotive, aerospace and wider engineering and production sectors.

WLEP Defence and Cyber Security Sector

The Sub Group has produced a Cyber Security Study for this essential, dynamic, globally exporting and growing business sector in Worcestershire. With successfully established and new businesses growing in Malvern Hills Science Park, a county-wide Cyber Security Strategy will nurture and harness wider sectoral growth as well as develop potential alliances with The Marches LEP, Gloucestershire LEP and West of England LEP.

Food/Horticulture Sector

A Sectoral Sub Group is forming to promote Worcestershire's significant food/horticulture production interests which contribute to the UK and global economy. There is much greater potential for enhanced locally provenanced and sustainable food production which can be further enhanced by new technologies. Through area-based and interconnected business working which consolidate local horticulture supply chains, inherent environmental assets can be maximised and support local businesses to grow further. There is a strong connection to Business and Regulators Sub Group focus to support start up and expanding sectoral SMEs while reducing regulatory burdens and promote the "Made in Worcestershire" brand. There is a

synergy with the LNP/Environment sector group to integrate environmental sustainability principles and new technologies within future programmes, area and individual schemes.

Tourism Sector Group

Tourism is a longstanding inherent feature of Worcestershire life and important to the local economy. The established Sub Group has increased the profile of Destination Worcestershire as a place to live, work, play and invest in. The Group is focussing on improving tourism infrastructure in terms of high quality hotel and conference provision to meet business needs.

WLEP Business and Regulators Sub Group

The WLEP Board Champion has been established and Sub Group formed which brings regulators and businesses together. An action plan is in place to steer implementation of Regulators and Business Charter signed by WLEP and Worcestershire Regulatory Services with National Regulators' support such as Environment Agency, HMRC, HSE, HW Fire and Rescue. The strategic intentions and solid delivery to date is recognised by Better Regulation Delivery Office in BIS.

Priority action is focused on business start- up regulatory pack (actual, web-based, face to face networks alongside social media channels) which signpost SMEs to an easier step by step approach to regulations. This will be followed up to support the next stage in the business lifecycle where businesses are expanding and growing to export. The joint suite of positive regulatory support will provide tangible products/tools to develop communications and stakeholder messaging through all business channels for generic interests. WRS/WLEP prototype currently being tested out individually with businesses, Chamber of Commerce, Heart of England Fine Foods, NFU and FSB networks before October 2013 launch. WRS also co-ordinate inputs from National Regulators such as Environment Agency, HMRC, HSE, HW Fire and Rescue etc. The Sub Group has a priority sectoral focus with a range of businesses in the food production/horticulture sector to pilot a wider package of sector-based support. This aims to enhance the "Made in Worcestershire" ambition and consolidate the work of the Food/Horticulture Sub Group. Tailored consultations with large businesses will develop a Single Point of Contact/Account Management approach based on a consistent and co-ordinated relationship management with all local-national regulators (Primary Authority).

There is an innovative opportunity to become a national lead/pilot for streamlined regulations for new business sectors/technologies and align with the Innovations/Technology Research and Development theme in the Strategic Economic Plan and EU Investment Strategy. First major opportunities have been identified with the Food/Horticulture sector and the LNP/Environment sector.

WLEP Armed Forces Sub Group

Sub Group derived from WLEP and Worcestershire Armed Forces Covenant Group (of which WLEP is a key signatory) and implementing action plan in support of Employment and Skills Board objective and delivery. Matching with MoD/143 Brigade resources and DWP schemes to deliver joint initiatives as a possible National Pilot including Transition Fair to secure exiting service leavers with strategic management, logistics and engineering skills to meet business needs in Worcestershire; seminar on employer benefits of service leavers/reservists;

participation in a joint WLEP/Armed Forces Leadership and Management Development Scheme for Worcestershire Young Business Leaders in November 2013; pilot a joint Armed Forces/JobCentrePlus "Work Club" initiative; support service leavers to become social entrepreneurs and entrepreneurs

WLEP and Worcestershire Local Transport Board

New and improved transport infrastructure is vital to the existing local economy and supporting business growth as well as providing additional incentive to significant inward investment. The WLEP and Local Transport Board are working jointly to promote the county's potential at the heart of the UK's strategic road, rail and air networks and are already successful in securing and lobbying for significant funding for major schemes such as Worcestershire Parkway, Bromsgrove Railway Station, M5 Junctions 4 and 6.

WLEP and Social Enterprise Consortium

The Consortium comprises Worcestershire-wide social enterprises as well as supportive networks driven by local CROWN and Midwest CiC initiatives alongside connected solutions emerging from the University of Worcester and Worcestershire Voices. With independent expertise and collaboration with Social Enterprise West Midlands and Social Enterprise UK, the Consortium is consolidating existing survey and mapping studies conducted in 2012 to assess the growing trend of social enterprises in the county and the specific needs arising as a consequence. A package of co-ordinated targeted support provided by local networks is being shaped. The Consortium is also focusing on public and private sector supply chain opportunities which social enterprises, individually and collectively, can fulfil and extend their competitive edge. Supply chains extend beyond the WLEP boundaries and across the West Midlands as well as neighbouring LEPs to the south. The WLEP and Consortium's partnership approach has recently won the SEWM Aspire Award 2013 in recognition of the collaborative work forming good foundations around significant local activities and the shared ambition to extend and develop a framework of initiatives during 2014.

WLEP and Social Housing Network

Social housing perspectives are represented on the WLEP Business Board (Sanctuary Housing, Community First, Community Housing) and these Business Board members are leading consultations with wider interests and establishing joint working across the social housing agenda to explore and confirm potential solutions which fulfil housing objectives. Private sector house-builders insights and experience are being incorporated simultaneously into the WLEP Planning Development and Infrastructure Sub Group.

WLEP and Local Nature Partnership

As the established Worcestershire Environment Partnership transforms into Worcestershire Local Nature Partnership, joint working is shaping respective WLEP SEP/ESI Funds Strategy and LNP strategy. Both Partnerships are reinforcing shared priorities and aligned mechanisms. The LNP Chair, a member of the WLEP Task and Finish Group, acts as a conduit between both spheres of interest. As well as focusing on integrating environmental sustainability within the spatial planning work and Game Changers Programme, the WLEP and LNP are jointly using the Natural England Local Economic and Environment Development Toolkit and held a Level 1 Workshop to frame a constructive challenge and scoping of Worcestershire's environmental assets in supporting and delivering WLEP SEP/EUIS growth ambitions. There is a strong opportunity working under the WLEP Regulatory and Business Charter for potential innovation to research, develop and test innovatory environmental regulatory framework for new and emerging environment sectors. WLEP has continued to meet with the LNP and others to progress co-ordinated delivery around the Wyre Forest and Vale of Evesham Forestry and horticulture sector, as well as sustainability themes and developing the illustrative projects. The group has now worked on Level 2 of the Natural England LEED Toolkit to develop how sustainability and environmental assets will deliver economic growth and contribute to the SEP and ESI Funds Strategy.

WLEP and Social Inclusion Consortium

A workshop identified issues around health, employment disadvantages of clusters of client groups, area deprivation, impact of European migration on existing infrastructure, challenges of local commissioning and the most effective way to respond to diverse social needs and supporting disadvantaged people into employment. A cross-sector Group has been formed to establish a county-wide benchmark from the evidence, analysis and consultation networks' intelligence; establish constructive challenge and joint scoping of successful third sector activities, potential gaps and transformational opportunities from lessons learned to date i.e. experience of LEADER project; as well as shaping new programme and proposals i.e. potential CLLD model. The Group will be strengthening co-ordinated network support, local commissioning opportunities and the importance of locally-led solutions under a coherent strategy which includes wider stakeholder engagement to develop substantive proposals which are integral to the support and delivery of WLEP SEP/ESI Funds Strategy objectives.

This Social Economic Inclusion Consortium is scoping out a collaborative model which forms a consortium approach connecting all front line delivery in support of a "personalised" journey from disadvantage through to employment. This "Worcestershire Experience" will mentor/coach/ support an individual to help determine their unique journey towards work, help them identify their choices and selected options at various intervals. This is in recognition that there are many valuable local and national offers across the landscape but these are not signposted or connected in a simple streamlined way.

The Group is developing a model which co-ordinates and consolidates all providers (Willowdene Care Farm, Hope Unlimited, Worcester Community Trust, Worcester Community Foundation, Worcestershire Council for Voluntary Youth Services, St Paul's Hostel to name just a few examples) who can pick up and help an individual at various access points and bridge the gaps and provide a continuous journey through diverse offers towards work. The intention is that

local authorities, JC+, DWP, SFA, Worcester Health and Community Trust, FE/HE colleges etc., align respective initiatives and opt-in programmes and consolidate the local routes/access points to work. Development work will test out the "personalised work accounts and journey" with representatives of various disadvantaged groups as well as explore the best ways in educating large/SME employers that such candidates have real employment potential for their business. This package approach can incorporate skills training, financial inclusion, social entrepreneurship, work-life stability, opportunity through full time employment or start-up business accessing public/private sector procurement supply chains.

In addition, the Group is testing out a potential Local Social Impact Bond for Worcestershire as a means of creating a vehicle to establish a sustainable revolving fund. It is envisaged as a social enterprise instrument that will receive funds from investors which, in turn, provides loans for local business projects and an increasing workforce. The financial return will be re-invested to loan to further projects.

There are substantial synergies between the Social Economic Inclusion Consortium and the Social Enterprise Consortium

WLEP and Rural Focus Group

Worcestershire has an established track record in joint public-third sector working and shared resources to successfully deliver the current LEADER Project, elements EU funded programmes and DEFRA national programmes such as the Redundant Buildings Programme.

A Rural Group comprising diverse perspectives is working with the WLEP to provide constructive challenge and joint scoping of a future rural strategy and programme to deliver all WLEP SEP/ESI Funds Strategy objectives. This co-ordinated approach is based on considerable experience of successes and recognised future opportunities in the rural context and this group will simultaneously explore policy and funding opportunities to consolidate the WLEP SEP/ESI Funds Strategy priorities from other national programme sources in future.

Worcestershire LEADER has established a successful track record of delivery and the WLEP is currently working with the Worcestershire LAG during the LEADER transition period to ensure the future programme substantially shifts towards delivering the Government's Growth Agenda as well as aligning with the WLEP's SEP ambitions and objectives. The strong WLEP-WLAG relationship emerging will ensure the future LEADER strategic direction will be fit for purpose and secure effective and sustainable solutions which reinforce local growth objectives. A joint WLEP-WLAG submission is being prepared in accordance with the Government's LEADER requirements and which is based on widespread stakeholder consultations during February/March 2014 in readiness for prompt implementation of the new LEADER Programme in January 2015. In preparing a new LEADER Local Development Strategy, attention is being given to business involvement in a new LAG composition, working arrangements, programme delivery mechanisms and a strong mutually beneficial channel between the WLEP and future LEADER Programme in the same way that the successful WLEP -WLNP relationship had been established. Equally important will be both the distinction as well as the connection between the elements of the EAFRD programme within and outside the WLEP remit. This combined approach is essential to avoid duplicity as well as nurture new innovative opportunities for stronger local beneficial impacts. In a wider context, the WLEP will ensure that the EAFRD

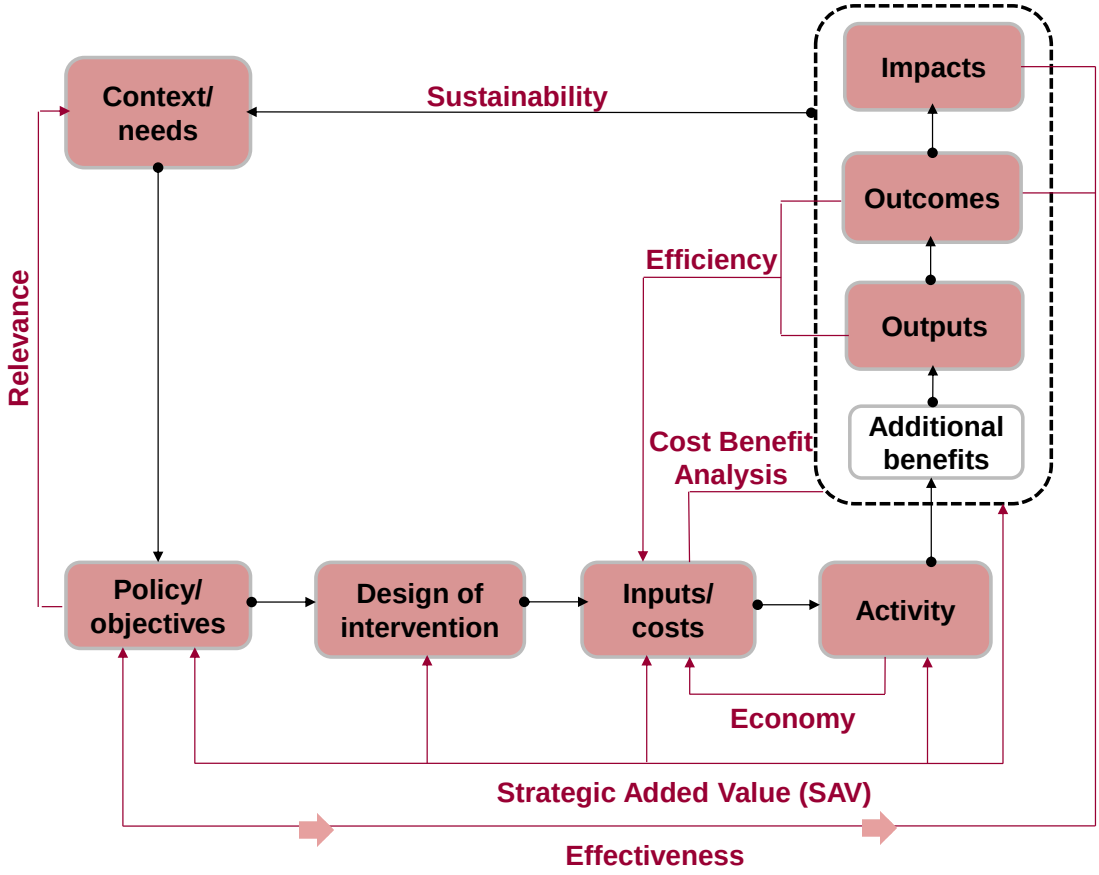
allocation will consolidate and strengthen parallel ERDF/ESF allocations to ensure co-ordinated holistic delivery and an increased effective local impact.

The WLEP objectives take an integrated and inclusive approach to business needs which recognise that while solutions will have a basic commonality of principles and criteria, unique characteristics and features simultaneously exist at a very local level which distinguish between a rural or urban based business initiative. For instance, SME needs will be met by the range of business support initiatives being proposed in the SEP and ESI Funds Strategy but specific rural oriented features and needs can be met through additional aligned programmes which are pertinent in rural areas whether it is EAFRD or the Rural Redundant Buildings Programme. Details regarding the specific allocation of EAFRD, activities to be supported and outputs and outcomes performance measures are being prepared.

Appendix E – Logic chains

The basis for designing any intervention needs to be a 'logic chain' that sets out the rationale for interventions and the intended linkages between activities, outputs, outcomes and results, as shown in Figure E1.

Figure E1: Logic chain



Following this structure, we set out 'logic chains' for all the transformational actions and the thematic areas described in Section 3 of the Plan.

Priority 1: SME Competitiveness

Context: Whilst Worcestershire has a relatively high number of SMEs relative to its population base and a high self-employment rate, the overall volume of new business creation is relatively low in the area. The productivity of local businesses is also below the national average and businesses are finding it increasingly difficult to access finance. Global integration is likely to be a key driver of future growth, however, this potential is currently not fully realised by local businesses despite a large proportion of employment being in sectors that have got a higher than average propensity for trade.

Rationale for intervention: EU funding is required to make a successful impact and to benefit a significant number of businesses across Worcestershire, both in terms of access to finance and business support more generally. The EU funding will enable the development of a wider and larger programme approach which will assist businesses to access funding and business support much more quickly and easily than would be the case if there was a reliance on existing activities and/or providers (incl. lenders). The proposed interventions will address the market failure that currently exists in terms of imperfect/asymmetric information and growth externalities. Funding will improve businesses' understanding of the support available and enable support to be accessed more widely, providing SMEs with the information and resources to make efficient decisions. In doing so, the interventions will help to address the barriers to enterprise in Worcestershire.

Inputs

- ERDF - £12.4m
- EAFRD – £1.4m
- Match funding (private, public, civil society and opt in) - £14.2m
- Total investment – £26.2m

LEP activities

- Worcestershire Entrepreneurship and Business Growth Programme
- Worcestershire Finance for Business Programme

Outputs

No. Ents. Supported – 2,283
No. New Ents. Supp - 461
No. job created – 553
Ents. Private Match - £6.075m

Results

SME productivity
SME jobs
Start ups
Smart specialisation

EU thematic objective logic chain

TO3: Small and medium sized enterprises competitiveness	
Contextual conditions	Relatively high number of SMEs and self-employment rate. However, volume of new business creation low, in part restricted by access to finance and knowledge of access to finance. Productivity of local businesses below national average. Poor record of SMEs gaining access to catered business support and access to finance support.
Rationale	Imperfect information relating to business support and barriers to entry in terms of finance and business support are key issues that businesses currently face in Worcestershire. Further, related, issue is the reported lack of knowledge regarding funding sources (particularly start-up finance), realisation of the benefits of finance and realisations of the chances of success in obtaining finance. Significant potential for the investment and growth of a number of identified key sectors (manufacturing, food and horticulture and cyber security). Positive externalities associated with investment in growth of SMEs.
EU Growth Programme Framework priorities	Build the growth capacity of SMEs. Foster a more entrepreneurial culture by reducing barriers to entrepreneurship and supporting entrepreneurs.
SEP objectives/ cross-cutting priorities	Creating an internationally competitive and innovative business base. Supporting the development of innovative, competitive sectors/clusters. Attracting high value added mobile investment.
Key delivery partners	Local authorities, private sector providers
Collaboration with other LEPs	Research has been completed to assess the potential for financial instrument operating across the West Midlands' LEPs – JEREMIE Fund to be created Sector specific collaborations being explored in relation to advanced manufacturing (West Midlands and Liverpool City Region LEPs) and cyber security/defence (Gloucestershire LEP, West of England LEP and Marches LEP) 'Opt-in' service providers also identifying potential opportunities e.g. food/horticulture in Lincolnshire
Inputs	ERDF - £12.4 m Match funding (SME contributions, local authority, potentially LGF) - £12.4m EAFRD - £1.4m Total - £26.2m
Activities	Worcestershire Entrepreneurship and Business Growth Programme: • promoting entrepreneurship and self-employment, including among underrepresented groups and in schools and HE/FE

	institutions • support to start a business; • investment readiness support; • reducing regulatory burden/positive regulatory support; • social enterprise start-up and growth; • raise growth ambitions and support development of growth strategies; • support SMEs in reaching new domestic and international markets; • strengthen supply chains; and • improve productivity and resource efficiency. Worcestershire Finance for Business Programme • increased provision of loans and equity finance (with elements locally run); and • start-up finance, including early stage equity, venture capital and proof of concept.
Outputs	Enterprises supported – 2,283 New enterprises supported – 461 Jobs created – 553 Private investment matching public support to enterprises – £6,075,087
Results	Increase in SME productivity. Increase in SME jobs. Increase in business start-ups. Smart specialisation.

Priority 2: RTDI and ICT

Context: Worcestershire has got a number of sector strengths, including manufacturing (incl. high-tech), food and horticulture and cyber security. R&D and innovation has been identified as a key barrier for growth in each of these. With knowledge intensive services expected to be the key focus of economic growth in the future, it is notable that Worcestershire has a lower proportion of employment in such services than many other LEP areas.

Rationale for intervention: Worcestershire has a below average productivity rate and further support is needed in R&D&I in order to bring Worcestershire up on a higher trajectory in terms of high value added activities and productivity. In particular, EU funding is required to deal with market failures relating to imperfect information and knowledge, including lack of awareness of what support is on offer and where to go for support, difficulty in accessing finance to bring concepts to reality, lack of awareness of potential benefits of R&D&I and limited capacity to build relationships with universities and other research institutions. Priority will be given to existing and/or potential areas of strength and competitive advantage. In terms of ICT, national and local funding is already contributing significantly to meeting EU and national aspirations in terms of broadband coverage and speeds, the focus will therefore be to overcome information failures by advising and facilitating the use of ICT products and services by SMEs and social enterprises to support growth. Support will also be provided to the cyber security sector, in terms of the development of ICT products and services.

Inputs

- ERDF - £5.2m
- EAFRD - £0.7m
- Match funding (private, and public) - £5.2m
- Total investment – £11.1m

LEP activities

- Worcestershire Innovation and Research Programme
- Worcestershire Optimising Business ICT and Broadband Programme

Outputs

No. Ents. Supported – 456
No. jobs created - 13
No. Ents. Coop Research – 91
No. Ents. New Mark - 13
No. Ents. New Prods – 29
No. Ents using ICT – 38
Ents. Private Match - £341k

Results

SME productivity/ competitiveness
SME jobs
Start ups
Smart specialisation

EU thematic objective logic chain

TO1: Innovation	
Contextual conditions	Number of sector strengths, including manufacturing, food and horticulture and cyber security. R&D and innovation identified as a key barrier of growth. Relatively low proportion of people represented in key future growth sectors (knowledge intensive services).
Rationale	Imperfect/asymmetric information in terms of support on offer and where to go for support. Information failures in terms of market uncertainty. Barriers to entry, particularly in relation to access to finance and capacity to build relationships. Positive externalities associated with investment in new technologies and innovation. Long-term requirement to account for the needs of future growth sectors by providing valuable and relevant education and skills training, especially to younger cohorts. Requirement for a stronger working relationship between research and public institutions and private enterprises, in order to encourage and develop commercial research and development.
EU Growth Programme Framework priorities	Building collaborative research between enterprises, research institutions and public institutions Supporting businesses including social enterprises to commercialise Research & Development
SEP objectives/ cross-cutting priorities	Creating an internationally competitive and innovative business base Supporting the development of innovative and competitive sectors/clusters Attracting high value added mobile investment Creating premier business locations and infrastructure Technology/ innovation
Key delivery partners	HEIs, FEIs, private sector
Collaboration with other LEPs	Two tier approach to Smart Specialisation being developed across the five West Midlands' LEPs
Inputs	ERDF - £4.1m Match funding (including SME contributions, private sector, HEIs, potentially TSB, local authorities and potentially LGF) - £4.1m EAFRD - £0.7m Total - £8.9m
Activities	Worcestershire Innovation and R&D Programme • building collaborative research between enterprises, research institutions and public institutions, including through graduate start-up schemes and spin outs;

	• support to businesses wishing to bring new products and services to the market, including those linked to the eight great technologies and Worcestershire's growth sectors; • support to encourage social innovation; • innovation initiatives (for example, innovation networks, Knowledge Transfer Projects (KTPs), proof of concept, graduate placements, contract research, collaboration, innovation vouchers); and • smart specialisation targeting in particular agri-tech, along with advanced manufacturing and cyber security/defence/IT.
Outputs	Enterprises supported – 344 Jobs created – 13 Enterprises co-operating with research institutions – 91 Enterprises supported to introduce new to the market products - 13 Enterprises supported to introduce new to the firm products – 27 Private investment matching public support to enterprises – £341k
Results	Increase in SME productivity/ competitiveness Increase in SME jobs Increase in business start-ups Smart specialisation

TO2: ICT	
Contextual conditions	National and local funding already contributing significantly to meeting EU and national aspirations in terms of broadband coverage and speeds. Focus therefore on overcoming information failures, encouraging and facilitating the use of ICT by SMEs and social enterprises.
Rationale	Information failures relating to the need to promote the availability and value of ICT products and services.
EU Growth Programme Framework priorities	Support SMEs and social enterprises in their development of ICT products and services.
SEP objectives/ cross-cutting priorities	Creating an internationally competitive and innovative business base. Supporting the development of innovative and competitive sectors/clusters Creating premier business locations and infrastructure. Technology/ innovation.
Key delivery partners	HEIs, FEIs, private sector
Collaboration with other LEPs	Potential collaboration with adjacent LEPs
Inputs	ERDF - £1.1m Match funding (including SME contributions, private sector, HEIs, local authorities and potentially SLGF) - £1.1m Total - £2.2m
Activities	Worcestershire Optimising Business ICT and Broadband Programme • stimulating ICT and digital technology adoption and demand;

	• supporting the cyber security/ defence/IT growth sector; and • providing digital connectivity support (particularly in rural areas).
Outputs	Enterprises supported – 102 Enterprises supported to introduce new to the firm products – 2 Support for enterprises in development of ICT products and services including broadband - 38
Results	Increase in SME productivity Increase in SME jobs Increase in business start-ups Smart specialisation

Priority 3: Environment and Place

Context: Worcestershire's natural and historic environment helps to define the county. It provides a strong sense of place and attracts and retains people and businesses. Indeed, the quality of the natural environment forms a key part of the Worcestershire 'offer' for businesses seeking to locate in the County with many indigenous business citing quality of life potential as being a key factor in their choice of business location. In terms of energy efficiency, SMEs are facing higher and fluctuating energy costs which seriously affect profitability and in some cases the viability of businesses.

Rationale for intervention: The main market failures in terms of low carbon and energy efficiency particularly relate to externalities, leading to over production and utilisation of what is socially optimal. Delivering sustainable and green sites has the potential to facilitate climate change adaptation and mitigation; and provide flood alleviation and water management. With regards to SMEs the business case for investing in energy efficient or low carbon technology is often compelling and sometimes overwhelming (both financially and socially), however, there remain a number of major barriers which mean that organisations either delay or do not implement projects. These barriers tend to fall into one of three categories: lack of awareness, lack of confidence and lack of funds. Worcestershire's LCEGS sector has shown growth of around 5% in recent years. However, the sector is struggling to secure sufficient finance to maintain current development pathways due to the high costs of energy and environmental technologies, lack of private sector investment and the high risk nature of the supply chain.

Inputs

- ERDF - £7.2m
- Match funding (private, public and opt in) - £7.2m
- Total investment – £14.4m

LEP activities

- Sustainable Places and Sites Programme
- Low Carbon and Resource Efficiency Programme

Outputs

Site development - 45
No. Ents. Supported - 384
No. New Ents. Supp - 14
No. Ents. Res. Effic - 62
Est. GHG reduction – 4,154

Results

Energy efficiency
Ents. Low Carbon Use
Econ. through infrastructure
Low carbon economy

EU thematic objective logic chain

TO4: Low carbon	
Contextual conditions	SMEs facing higher and fluctuating energy costs. Worcestershire already exhibits a number of existing strengths from which to build a low carbon economy.
Rationale	Market failure arising due to the negative externalities ('external' costs) associated with carbon dioxide emissions.
EU Growth Programme Framework priorities	• promoting the production and distribution of energy derived from renewable sources; • promoting energy efficiency and renewable energy use in enterprises; • supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector; • promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures; • promoting research and innovation in, and adoption of, low-carbon technologies;
SEP objectives/ cross-cutting priorities	Creating premier business locations and infrastructure. Environment.
Key delivery partners	Local authorities, private sector
Collaboration with other LEPs	Ongoing discussions with West Midlands' LEPs regarding collaboration on low carbon economy
Inputs	ERDF - £5.9m Match funding (including local authorities, private sector, potentially housing sector) - £5.9m Total - £11.8m
Activities	Worcestershire Low Carbon and Resource Efficiency Programme • supporting retro-fit initiatives; • supporting resource efficiency and energy performance improvements; • developing low carbon R&D and innovation; and • adopting of renewable and low carbon fuels for energy consumption.
Outputs	Enterprises supported - 338 New enterprises supported – 5 Annual decrease of Greenhouse Gases (tonnes) – 4,154
Results	Increase in energy efficiency of companies, buildings and transport Increase in companies deploying low carbon practices, processes, services or products

TO6: Environmental protection	
Contextual conditions	SMEs facing higher and fluctuating energy costs. Worcestershire already exhibits a number of existing strengths from which to build a low carbon economy.
Rationale	Positive externalities of Investing in environmental protection. Negative externalities associated with pollution & environmental damage. Significant opportunity for investment in sustainable commercial enterprises (e.g. food and horticulture, and forestry enterprise), closely linked with the local tourism and leisure sector.
EU Growth Programme Framework priorities	• protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure; and • promoting innovative technologies to improve environmental protection and resource efficiency in the waste sector, water sector and with regard to soil, or to reduce air pollution.
SEP objectives/ cross-cutting priorities	Creating premier business locations and infrastructure. Environment.
Key delivery partners	Local authorities, private sector
Collaboration with other LEPs	Ongoing discussions with West Midlands' LEPs regarding collaboration on the natural environment.
Inputs	ERDF - £1.3m Match funding (including local authorities, private sector) - £1.3m Total - £2.6m
Activities	Worcestershire Sustainable Places and Sites Programme • 'greening' the Game Changer and other sites through support to promote environmental sustainability; • sustainable agriculture/horticulture initiatives securing multiple benefits of resource protection, resilience to climate change, environmental enhancement and added product value;
Outputs	Companies supported with business resource efficiency - 62 Surface area of land supported; rehabilitation (ha) – 45
Results	Increase in energy efficiency of companies, buildings and transport Increase in companies deploying low carbon practices, processes, services or products

Context: Skills provision and attainment represents a significant issue in Worcestershire. For example, 19% of all establishments reported skills gaps. Moreover, in excess of a quarter (26%) of vacancies were reported to be hard to fill due to skills shortages. This can be compared with 16% of vacancies in England. Skills shortages relate to technical and practical skills (including job specific skills), as well as 'softer skills', including the right attitude, motivation and social skills.

Rationale for intervention: The rationale for intervention relates to both the positive externalities generated by improving workforce skills and potential equity outcomes from supporting particular communities/groups at increased risk of worklessness. There is also a need to address any potential information failures regarding employment opportunities within Worcestershire, particularly among younger cohorts and in relation to the key growth sectors. Given demographic trends and concerns regarding the future supply of labour, there is also a need to mobilise older workers in the workforce. It will be important that the currently underutilised labour supply is ready and able to benefit from the future employment opportunities being created. This will require a combination of skills and employment support

Inputs

- ESF - £12.4m
- Match funding (private, public and opt in) - £12.4m
- Total investment – £24.8m

LEP activities

- Worcestershire Skills for Growth Programme
    - Skills Funding Agency Opt in

Outputs

No. of participants – 13,180
No. of participants over 50 years old – 3,000
No. of participants from ethnic minorities - 720
No. of participants with disabilities - 920
No of participants without basic skills – 2,320

Results

Jobs
Qualifications
Participating in education

EU thematic objective logic chain

TO10: Skills	
Contextual conditions	Larger proportion of Worcestershire employees with a skills gap, compared to regional and national averages. Employers reporting a skills shortage in terms of hard to fill vacancies. Identified skills deficiencies, including technical and job-specific skills, as well as 'softer skills'. Worklessness a particular issue for people with no qualifications. Net out-migration of skilled younger workers, a highly valuable population for local employers. Key future growth sectors involve particular skill-sets or are knowledge intensive (e.g. cyber security (with strong county-wide links to defence), food and horticulture (strong county-wide links with Agri-technology), and manufacturing). Low levels of average earning.
Rationale	Barriers to growth – lack of basic skills, higher-level and sector specific skills deficits. Positive externalities associated with skills and training provision. Addressing the skills-needs of future growth sectors will provide greater potential for growth in these, already growing, key sectors in the short-term and address a potential long-term problem that may arise if these skills-needs are not addressed. Low levels of average earning can be addressed through increasing general skills provision and access to higher paying work, and for providing the skills relevant for the, generally higher paying, key growth sectors. Significant potential for a greater level of engagement between employers and education with the provision and training of skills (including the right attitude, motivation and interpersonal skills) to the county population (in particular, although not exclusively, younger cohorts).
EU Growth Programme Framework priorities	Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways; and improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening vocational education and training systems and their quality.
SEP objectives/ cross-cutting priorities	Realising people's potential and meeting business skills needs Attracting high value added mobile investment Creating an internationally competitive and innovative business base
Key delivery partners	SFA, local authorities, FEIs, private sector
Collaboration with other LEPs	None anticipated at this stage

Inputs	ESF - £12.4 m Match funding (including SFA 'opt-in', local authorities, private sector) - £12.4m Total - £24.8m
Activities	Worcestershire Skills for Growth Programme • career guidance and validation of acquired competences; • establishing mechanisms for skills anticipation; • adapting the curricula; and establishing and developing work based learning systems, including dual learning systems and apprenticeship schemes; • improving the collaboration between employers and education and training providers; • supporting access to lifelong learning, skills upgrading and workforce trainings (e.g. addressing general, area and/ or sector-specific skills issues); • enhancing Skills Funding Agency (SFA) services through 'Opt in' Programme.
Outputs[49]	Total number of participants – 13,180 No of participants over 50 years old – 3,000 No of participants from ethnic minorities – 720 No of participants with disabilities – 920 No of participants without basic skills – 2,300
Results	Participants in education/training upon leaving Participants in employment upon leaving Participants gaining a qualification upon leaving

[49] These outputs relate to the skills priority as a whole and not only TO10.

Context: Worcestershire has seen one of the sharpest falls in employment in recent years; between 2009 and 2011 employment fell by 2.3%. In November 2013 there were just over 7,600 people claiming Jobseekers Allowance (JSA) in Worcestershire, of which a growing number have been claiming for more than 12 months. Worklessness disproportionally affects a number of groups, including young and older people, particular ethnic groups; disabled and people with long-term health problems; lone parents; and people with no qualifications. Just over 28,000 people (4.9% of the population) in Worcestershire live in a household with a median income less than £17,016 per annum, which is less than 60% of the median household income for England (the official Government definitions of poverty). Based on a broader measure of deprivation (IMD 2010), 16% of Worcestershire's Lower Layer Strategic Output Areas (SOAs) are in the most deprived 30% of SOAs in England.

Rationale for intervention: Reducing worklessness is a key Government objective. Bringing people back into the workforce is seen as desirable for individuals and families, as it provides additional income and other benefits such as improved health and well-being, while also reducing the number of people needing financial support. In addition to traditionally disadvantaged groups, recent trends have particularly highlighted the need for intervention among young people and long-term unemployed. There is a also high incidence of early retirement in Worcestershire, particularly among females. This, together with a declining working age population, provides a strong rationale for supporting the mobilisation of older workers, thereby mitigating short to medium term supply constraints in the labour market. Whilst Worcestershire as a whole can be considered to be an affluent and prospering area, there are pockets of multiple deprivation (in urban as well as rural areas) that needs to be addressed. Income deprivation is a particularly important component of disadvantage. People living on low incomes are restricted in terms of their housing choices, education opportunities and skills, and employment prospects. There is therefore a strong case for improving access to affordable credit and developing outreach activities in relation to debt and welfare advice, as well as basic skills training in finance, literacy and capacity.

The prevention of young people aged 14-19 years from becoming NEETs (not in employment, education or training) and the re-engagement of those that are NEET, represents a particularly important area in terms of social inclusion. Specific support is required for vulnerable young people who are NEET and not ready to progress into mainstream provision. NEETs often face multiple and complex issues and these have to be tackled in a comprehensive and integrated way.

Inputs

- ESF – £11.1m
- Match funding (private, public, civil society and opt in) - £11.1m
- Total investment – £22.2m

LEP activities

- Worcestershire Social Inclusion and Employment Programme
  - Big Lottery Fund Opt In
  - DWP Opt in

Outputs

No. of participants – 10,300
No. of unemployed – 8,180
No. of inactive – 3,460
No. aged 15-24 years – 2,010

Results

Jobs
Participating in education/training
Gaining qualifications
Participating in positive activities
Participating in active job search

Priority 5: Social and Economic Inclusion

EU thematic objective logic chain

TO8: Employment	
Contextual conditions	Levels of unemployment and economic inactivity relatively low However, increased tendency for those that are unemployed to be so for longer
Rationale	Barriers to growth – lack of basic skills, higher-level and sector specific skills deficits Positive externalities from brining people into employment
EU Growth Programme Framework priorities	• access to employment for job seekers and inactive people, including the long term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility; • sustainable integration into the labour market of young people (ESF), in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities;
SEP objectives/ cross-cutting priorities	Realising people's potential and meeting business skills needs Attracting high value added mobile investment Creating an internationally competitive and innovative business base
Key delivery partners	Local authorities, FEIs, private sector, DWP
Collaboration with other LEPs	None anticipated at this stage
Inputs	ESF - £7.1m Match funding (including SFA 'opt-in', DWP 'opt-in', local authorities, private sector) - £7.1m Total - £14.2m
Activities	Worcestershire Social Inclusion and Employment Programme • supporting the employability of unemployed and economically inactive people (e.g. tackling youth unemployment; supporting older workers; tackling long-term unemployed; and assisting other disadvantaged groups (such as Black and Minority Ethnic groups, lone parents, those with health problems and those with no qualifications); and • enhancing Department for Work and Pensions (DWP) services through the 'Opt-In' Programme.
Outputs	Total number of participants – 7,790 Number of unemployed – 6,960 Number of inactive – 2,450 Number aged 15-24 years – 2,010

Results	Participants in employment upon leaving Participants engaging in positive activities that address barriers to work Inactive participants newly engaged in job searching upon leaving

TO9: Social inclusion	
Contextual conditions	Pockets of severe deprivation within the LEP area. Many of these pockets of deprivation report good rates of employment, but with poor average earning rates. Barriers to enterprise particularly high for disadvantaged groups. Worklessness disproportionately affecting a number of groups (e.g. low-skilled workers, or individuals with no qualifications).
Rationale	Barrier to growth – long-term unemployment, high levels of unemployment among young people Institutional and administrative barriers to employment
EU Growth Programme Framework priorities	• active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability.
SEP objectives/ cross-cutting priorities	Realising people's potential and meeting business skills needs Inclusion
Key delivery partners	Local authorities, third sector (community and voluntary) organisations, BLF
Collaboration with other LEPs	None anticipated at this stage
Inputs	ESF - £4m Match funding (including Big Lottery 'opt-in', DWP 'opt-in', local authorities) - £4m Total - £8m
Activities	Worcestershire Social Inclusion and Employment Programme • supporting a reduction in the number of people at risk of poverty and exclusion; • providing employability support for inactive and unemployed people facing multiple disadvantages; • supporting low-skilled/ low paid workers to increase chances of better paid employment and to reduce income deprivation; • supporting locally developed community programmes; and • providing a tailored Big Lottery 'opt in' programme.
Outputs	Total number of participants – 2,510 Number of unemployed – 1,320 Number of inactive – 1,010
Results	Inactive participants newly engaged in job searching upon leaving Participants in employment upon leaving Participants engaging in positive activities that address barriers to work Participants in education/training upon leaving

	Participants gaining a qualification upon leaving

Appendix F - Growth scenarios

(i) Overview

Cambridge Econometrics has prepared baseline employment and GVA forecasts for the WLEP area and each of the local authority districts within it. These projections, which are broken down by 45 sectors, provide an indication of the likely economic outcomes and structure in Worcestershire if there is no major market change or no new policy intervention (i.e. the reference case). The Cambridge Econometric forecasts have been used as the basis for modelling three future growth scenarios. These scenarios have been informed by consideration of the potential net additional impact of key transformational projects (in particular the Game Change sites), based on detailed economic impact assessments, and evidence from previous programmes and projects.

(ii) Business as Usual

The Business as Usual scenario would involve the continuing implementation of existing policies and achieving growth in line with the reference case Cambridge Econometric forecasts. However, given the current deficit reduction policies, it is uncertain whether the reference case growth forecasts could be achieved because of barriers that would remain without public sector intervention. In particular, without the successful implementation of current programmes/ projects there would be concerns relating to labour and property market supply issues.

Table F1 sets out the baseline forecasts for the WLEP area in terms of both GVA and employment. Under the Business as Usual scenario, GVA within Worcestershire between 2013 and 2025 is forecast to grow in total by 23.6%, compared to growth at the regional and national level of 23.8% and 25.7% respectively. Employment within the WLEP area is forecast to increase by 6.0%, which is below the projected rate for the West Midlands of 7.7% and for the UK of 6.5%.

Table F1: Baseline forecasts – Business as Usual scenario

GVA (2009) prices)	2013 £million	2025 £million	Change	
			No. (£million)	%
WLEP	9,206	11,156	2,130	23.6
West Midlands	94,640	117,200	22,560	23.8
UK	1,288,966	1,620,622	331,656	25.7
Employment	**2013 (000s)**	**2025 (000s)**	**Change**	
			No. (000s)	**%**
WLEP	261.3	276.9	15.6	6.0
West Midlands	2,667.0	2,872.8	205.8	7.7
UK	32,086.2	34,176.0	2,089.8	6.5

Source: Cambridge Econometrics

(iii) Smart Efficiency

A Smart Efficiency scenario has also been modelled that seeks to reflect a programme of additional interventions to enhance productivity through targeting opportunities to remove

barriers and enhance GVA growth, in particular in key sectors. As part of this scenario, there would be focused intervention to address supply and demand-side issues (see Appendix C).

Under the Smart Efficiency scenario, the forecast growth in employment within the WLEP area would remain the same as projected under the reference case (Business as Usual). However, GVA within Worcestershire would grow by 25.7% between 2013 and 2025, equal to the GVA growth rate forecast for the UK (see Table F2). The average GVA per employee figure within Worcestershire would therefore be slightly higher under the Smart Efficiency scenario, at £40,990, than under the Business as Usual scenario (£40,290).

Table F2: Smart Efficiency scenario

GVA (2009) prices)	2013 £million	2025 £million	Change	
			No. (£million)	%
WLEP	9,206	11,349	2,322	25.7
West Midlands	94,640	117,200	22,560	23.8
UK	1,288,966	1,620,622	331,656	25.7
Employment	**2013 (000s)**	**2025 (000s)**	**Change**	
			No. (000s)	**%**
WLEP	261.3	276.9	15.6	6.0
West Midlands	2,667.0	2,872.8	205.8	7.7
UK	32,086.2	34,176.0	2,089.8	6.5

(iv) Smart Efficiency and Growth

A third scenario – Smart Efficiency and Growth – has been modelled that reflects the Smart Efficiency scenario plus additional focus on inward investment, a business growth package and further interventions to address supply-side constraints. This scenario would comprise focused programmes to:

- develop a model which co-ordinates offers and interventions, locally and nationally, to improve productivity and support business start-up, growth, exporting and innovation more effectively;
- co-ordinate and attract inward investment;
- support the development of target sectors – which will continue to be a major focus for growth;
- ensure the supply of suitably skilled labour and increase employment;
- raise the profile of Worcestershire as a business location; and
- ensure the availability of readily available premises and relocation sites with high quality infrastructure and attractive business environments.

The Smart Efficiency and Growth scenario is forecast to deliver approximately 25,000 jobs and an increase in GVA of £2.9 billion (2009 prices) by 2025[50] – the growth rates for Worcestershire in both cases would be higher than the reference case projections for the UK and West Midlands (see Table F3). Productivity (GVA/employment) is expected to increase above the reference case West Midland's level. The employment rate would increase under this scenario to 78.7%.

Table F3: Smart Efficiency and Growth scenario

GVA (2009) prices)	2013 £million	2025 £million	Change	
			No. (£million)	%
WLEP	9,206	11,914	2,888	32.0
West Midlands	94,640	117,200	22,560	23.8
UK	1,288,966	1,620,622	331,656	25.7
Employment	**2013 (000s)**	**2025 (000s)**	**Change**	
			No. (000s)	**%**
WLEP	261.3	287.4	26.1	10.0
West Midlands	2,667.0	2,872.8	205.8	7.7
UK	32,086.2	34,176.0	2,089.8	6.5

[50] This would equate to 10,000 additional jobs and £760 million in GVA above the reference case in 2025.

Appendix G - Cross-cutting themes

(i) Introduction

The European Commission's adopted legislative proposals for cohesion policy for 2014-2020 include a series of common principles applicable to all Funds. As well as partnership and multi-level governance, and compliance with applicable EU and national laws, these include promotion of equality between men and women and non-discrimination; and sustainable development[51]. Delivery of the Programme should promote equality between men and women and prevent discrimination on the basis of sex, racial or ethnic origin, religion, disability, age or sexual orientation. The programme must also pursue the objectives set out in the framework of sustainable development and the Community promotion of the goal of protecting and improving the environment.

The WLEP ESI Funds Programme embeds the two cross-cutting themes of environmental sustainability and equal opportunities within it. These follow on and build upon the similar themes and experience developed through the West Midlands European Competitiveness and Employment programme 2007-2013[52].

The themes will support the objective of increased competitiveness for Worcestershire. Greater economic engagement of otherwise inactive or excluded groups can help to bolster the local economy, whilst basing economic growth upon a healthy and liveable environment will ensure that Worcestershire can maintain a competitive edge without degrading the essential environmental context upon which it depends. Projects funded through the Programme will be expected to embed best practice in both themes as appropriate.

(ii) Importance of Cross Cutting Themes

Cross cutting themes are integral to the Worcestershire ESI Funds Strategy and will inform the whole Programme, and will be embedded from the outset. They will be:

- included in the Programme's overall vision, objectives and cross cutting priorities;
- embedded in each priority, which will include specific environmental and equality objectives, indicators, and quantified targets;
- integrated in the objectives of key management and strategic decision making bodies in terms of relevant cross cutting theme issues; and
- project applications, development, appraisal, and monitoring and evaluation processes will include criteria on cross cutting theme integration.

Specific proposals for the integration of cross cutting themes will be developed during the course of establishing and developing Programme Priorities.

[51] Cohesion Policy 2014 -2020; Investing in growth and jobs

[52] Regional Competitiveness and Employment Objective 2007 – 2013 West Midlands European Regional Development Fund Operational Programme

(iii) Environmental sustainability

Context

Worcestershire is located at the heart of England with an attractive natural landscape, Areas of Outstanding Natural Beauty and a rich history. The quality of the natural and built environmental is of critical importance to the local economy. It underpins primary industries such as agriculture and forestry, and is important to wider economic growth in relation to the attractiveness of the area as a place to live, to visit, and in which to invest – attracting visitors, businesses, and workers. The quality of the environment plays a key role in shaping the image and perception of the area and in attracting and retaining skilled workers. Consequently, it is essential that economic growth in Worcestershire is sustainable[53].

The programme will seek to minimise waste and conserve resources through a sustainable approach. At the same time, it will recognise the requirements for sustainable development that protects the area from damaging development and land use activity, and enhances biodiversity and diverse and important environmental, landscape, townscape and historic features and characteristics.

Various policies place emphasis on key environmental issues, including for example the creation of a sustainable development framework, conservation of urban and rural areas, the management of waste, energy generation and conservation, and reducing the need for travel where appropriate, together with planning for climate change, soil and water quality, and Green Infrastructure. These principles accord with the UK Sustainable Development Strategy Securing the Future and the five 'guiding principles' of sustainable development: living within the planet's environmental limits; ensuring a strong, healthy and just society; achieving a sustainable economy; promoting good governance; and using sound science responsibly. They also fit with the Government's policies in relation to sustainable development, as currently expressed though the National Planning Policy Framework which expounds a presumption in favour of sustainable development as a 'golden thread' running through both plan-making and decision-taking.

Design and Development

Environmental sustainability is being progressed through the planning and other policies of each local authority. The approaches being developed will form a framework for the design and development for the ESI Funds Programme.

Should a Strategic Environmental Assessment be required for the ESI Funds, this will also provide part of the overall framework.

Aim

The overall aim will be to strengthen economic, social and geographical cohesion by correcting imbalances between the Worcestershire area and other, more developed parts of the EU by investing in local development and economic growth while also respecting Sustainable Development principles.

The Environmental Sustainability theme objectives are to:

[53] Worcestershire Local Economic Assessment 2010-2011: Key Issues Consultation

- support sustainable production and consumption through targeted support of businesses, R & D, partnerships and projects;
- protect natural and built resources through the careful design of projects and programme support systems; and
- support sustainable communities through packages of focused support that benefit people and localities as a means of creating greater economic wealth and advantages.

Actions under Strategic priorities

Under SME business competitiveness, the programme will support entrepreneurialism, business growth and infrastructure, and investment.

Under RDTI and ICT, the programme will support innovation and R&D infrastructure, support innovation initiatives, and develop growth sector initiatives, and digital connectivity support (particularly in rural areas) and ICT and digital technology adoption.

Under Environment and Place, the Programme will develop green places, sites, and transport, together with a low carbon and resource and efficiency programme. WLEP has established a strong relationship with the LNP and has been working with Natural England to develop the Local Environment and Economic Development toolkit. This will support outcomes in terms of landscape scale horticulture development, ensuring that development meets minimum standards and environmental offsetting.

These priorities will include both development, and products, processes, and procedures. For each of these priorities, the Programme will address:

- identification and mitigation of negative environmental effects arising as a result of individual projects air, water, and land, plants and animals, and human beings;
- the efficient use of resources, in particular energy and water consumptions, through the use of the design and operation of individual projects;
- the quality of the built environment through the uses and application of design and materials, expressed through appropriate criteria that go beyond basic Building Regulation and other basic legislation (such as higher BREEAM ratings);
- the extent to which the need to travel is reduced (where appropriate) expressed through savings in miles or goods/miles; and
- the moderation or reduction of greenhouse gas emissions, in particular CO2, to achieve carbon savings.

Where projects require an Environmental Impact Assessment (EIA) to be carried out as part of statutory processes, the results will be taken into account when considering support under the Programme. Where an EIA is not required, the Programme will require a simplified assessment of the project in relation to land, water, and air quality; effects on plants and animals; and impacts on human beings to be considered as part of the appraisal process.

(iv) Equal Opportunities

Context

Regulations place a primacy on promoting gender equality, but also recognise the importance of preventing discrimination on the basis of sex, racial or ethnic origin, religion, disability, age or sexual orientation. The wider interpretation will be promoted through all stages of the implementation of the Programme.

The Regulations also place emphasis on investing in growth and jobs to strive for equality between those with a stake in economic growth and those suffering from exclusion. As a result there is emphasis on promoting employment and supporting labour mobility, promoting social inclusion and combating poverty, investing in education, skills and lifelong learning; and enhancing institutional capacity and an efficient public administration.

Furthermore, the Regulations also seek to ensure that there is appropriate territorial equality of opportunities between urban and rural areas within the overall framework of addressing the needs of developed and less-developed regions.

These are reflected in Europe 2020 strategy as the successor to the Lisbon Agenda for growth and jobs particularly in relation to 'Inclusive Growth' – fostering a high-employment economy delivering economic, social and territorial cohesion (as well as 'Smart growth' – developing an economy based on knowledge and innovation, and 'Sustainable growth' – promoting a more resource efficient, greener and more competitive economy).

The Government's strategy for Growth focuses on economic development and rebalancing the economy as part of the overall aim of reducing the country's deficit. Getting people into paid work is a central element of the Government's strategy to tackle social exclusion. Some groups face more difficulty in accessing the labour market, including certain minority ethnic groups, older people, and those with disabilities. The Programme has an important role to play in removing specific barriers and promoting equality of access to economic opportunities.

The programme will seek to reduce inequalities at all levels within Worcestershire and the purpose of the equalities cross cutting theme will be to highlight opportunities and encourage the benefits arising from them to be maximised.

Design and Development

The WLEP has been working with the Worcestershire Voices Board and various third sector interests to ensure that its strategies and actions promote equality.

The Worcestershire ESI Funds Programme will develop criteria within the aims, values and priorities of the Community Strategy to enable the equality aims of the European Programme to be achieved.

Aim

The overall aim will be to pursue economic growth and jobs through appropriate investment which makes the link between opportunities for economic growth and areas of economic need; respecting individuals' gender, race, disability, age, religion and sexual orientation to maximise the positive opportunities, through economic success, that the ESI Funds Programme can bring.

The equal opportunities theme objectives are to:

- enable all of Worcestershire's citizens to benefit from increased wealth and prosperity on the basis of equal opportunities through the growth of the economy;
- identify and address the needs of under-represented groups and those suffering from disadvantage or social exclusion; and
- ensure that the needs of both rural and urban areas are appropriately addressed.

Actions under Strategic priorities

Under the strategic priorities of Skills and Social and Economic Inclusion, the ESI Funds will tackle youth unemployment, support older workers, tackle long-term unemployed, assist other disadvantaged groups, support the achievement of specific skills/qualifications, and enhance the services of BLF, DWP and SFA through the 'Opt-In' programmes. The ESI Funds will also be used to develop local community development programmes, and a tailored BLF 'opt in' programme, to support social and economic inclusion.

These priorities will include the need to develop means to address skills and training deficiencies, as well as barriers to accessing or creating opportunities for employment. For each of these priorities the Programme will address:

- the ways in which individual projects will impact, either positively or negatively, on target groups in society – where these are negative action to mitigate or remove such effects, and where positive, how these can be enhanced and maximised;
- to identify the qualitative aspects of jobs created and safeguarded in relation to addressing employment needs within disadvantaged areas and within target groups; and
- the balance between urban and rural target communities.

Where appropriate projects will be required to provide an Equality Impact Assessment (EqIA), the results will be taken into account when considering support under the Programme. Where an EqIA is not required, the Programme will require a simplified assessment of the project which will be considered as part of the appraisal process.

(v) Implementation of the Cross Cutting Themes

Implementation of the cross cutting themes will take into account:

- clearly articulating the objectives of the cross cutting themes from the start of the Programme;
- ensuring proposed indicators are observable, manageable and sufficiently focused on the actions to be supported;
- issuing practical and focused guidance at an early stage to inform project development;
- early consideration of the themes in project assessment procedures; and
- ensuring that requirements made of projects are proportionate to their scale.

Successful implementation of the cross cutting themes will require that they are embedded through all stages of the Programme and project lifecycle through: governance, development, appraisal, selection, and monitoring and evaluation. The integration of cross cutting themes will be the subject of monitoring and evaluation over the life of the Programme, and it is envisaged

that these will form part of the Programme's overall monitoring and evaluation. Where appropriate, case studies of good practice will be developed.

Under the provisions of the technical assistance procedure, funds will be available to support such activities which grow the understanding, commitment and capacity of management bodies and beneficiaries to effectively implement the cross cutting themes.

Appendix H – Financial Engineering Instrument (FEI) Strategy

The WLEP is keen to make use of financial engineering instruments under the 2014-20 European Structural Investment Fund ('ESIF') programme to underpin and support its economic growth strategy and bridge gaps in the private sector.

The WLEP recognises that access to affordable finance, especially for start-up and early stage SMEs remains a challenge. There is historic precedent for public intervention in the market for financial engineering instruments in the LEP region and it is recognised that continued public sector support in this market remains both desirable and important.

The WLEP has part funded and taken an active part in a project designed to develop a framework for collaboration on financial instruments with neighbouring LEPs within the West Midlands. This framework has been developed by the West Midlands Cross-LEP Access to Finance Sub-Group ('X-LEP Sub-Group'). The X-LEP Sub-Group is a sub-committee of the West Midland Regional Finance Forum ('WMRFF') and its membership comprises the Access to Finance leads (and nominated alternates) of the 6 West Midland LEPs.

The analysis of local need, demand and priorities for investment:

- ***An analysis of market failures, sub optimal investment situations, and investment needs for the policy areas and thematic objectives or investment priorities to be addressed;***

Research commissioned by the X-LEP Sub Group (set out a report compiled by Blue Sky Corporate Finance dated November 2013) covered both National and Regional evidence on the ongoing gaps in the access to finance market. This report overwhelmingly confirms that gaps in the regional access to finance market persist in a number of areas of the market. Details of the research undertaken, the market failures (Gaps) in the region identified and the priorities associated with each market failure are set out in the report.

The X-LEP report concluded that the gaps in the market for financial instruments within the West Midland region justified an FEI programme of between £125m and £175m.

The X-LEP report also covered the common economic policy objectives and investment priorities of the 6 participating LEPs (of which there is considerable overlap and common purpose).

The FEI collaborative framework proposal agreed by the WM LEPs recognises that financial instruments may be used to support other EU 2014-20 programme themes including the prioritisation of funding for viable commercial projects designed to improve the quality, access and usage of ICT, low carbon, climate change, the protection of the environment and sustainable transport.

The details of the precise nature of the FEI interventions are presently in the process of being finalised but loan/mezzanine finance for urban development projects that fit within the scope of the LEP growth strategy (along the lines of the existing Growing Places focus) is a likely priority.

It has also been agreed that priority will be given to debt, equity/mezzanine funding for viable commercial projects that assist the LEP with its carbon reduction, sustainable transport and energy efficiency ambitions.

- ***An assessment of the value added by the financial instrument(s) proposed for European Regional Development Fund support consistency with other forms of public intervention addressing the same market (including Government funded initiatives), possible state aid implications, and the proportionality of the envisaged intervention;***

It has been agreed between the participating LEPs that the West Midland wide collaborative framework for FEI will seek to establish a fund-of-funds type structure that is both owned and controlled by the 6 participating LEPs. It is the nature of a fund-of-funds type structure that the 'proportionality of' and the 'additionality of' each of the sub-funds will form part of the ex-ante justification at the time of their submission for approval. It is the stated intention of the X-LEP Sub Group that FEI interventions developed under the fund-of-funds framework are proportional to the regional need, complementary to, additional to and consistent with all other forms of public intervention in the same market (including the various RGF projects under development).

The subject of state aid compliance is fully and properly considered within the X-LEP Sub Group report and it is, again, the intention of the participating LEPs that this compliance is properly assessed and appropriately managed at each stage of the programme development process and for each of the unique sub-funds planned. The X-LEP sub-group has recommended that the fund-of-fund framework should seek a state aid notification and this matter will be further considered as the programme is more fully developed.

- ***An estimate of additional public and private resources to be potentially raised by the financial instrument(s);***

The WM collaborative fund-of-funds structure will seek to combine financial engineering instrument ('FEI') funding from 3 sources:

- A combined £50m+ ESIF budget contribution from the 6 participating LEPs
- An application to the British Business Bank to incorporate the anticipated legacy returns (estimated to be £25m+) from earlier RDA (AWM) financial instruments.
- A private sector contribution (most likely to be from the European Investment Bank – 'EIB') of not less than £50m.

The combined £125m+ funding from these 3 sources will be used to establish a fund-of-funds type programme of delegated financial engineering instruments (loan, mezzanine and equity funds) designed to serve the needs of the 6 LEPs concerned. An outline Action Plan and timetable for establishing a fund-of-funds structure is set out in Appendix K.

- ***An assessment of lessons learnt from similar FIs and ex-ante assessments carried out in the area (or England) in the past and how these lessons will be applied going forward;***

The X-LEP Sub Group report fully considers the lessons learned from previous FEI interventions in the region (AWM Legacy Funds), nationally (based upon guidance on the subject published by Capital for Enterprise on this subject matter) and the experiences of the managers of FEI programmes implemented in other comparable industrial regions. The recommendations that have been set out in the X-LEP Sub Group report are based upon and consistent with these research findings.

- ***An overview of the proposed strategy for investment, including an examination of options for implementing, financial products to be offered, financial recipients targeted, envisaged combination with grant support as appropriate; and***

The process of defining and quantifying specific FEI interventions (the sub-funds) is underway. This task has been started by the West Midland Cross-LEP Access to Finance Sub-Group and will be handed over to the board of directors of the fund-of-funds holding company appointed by the 6 participating LEPs in due course.

Priority will be given to those interventions that align with the ERDF thematic objectives. It is anticipated that the priority for FEI interventions will those that are designed to facilitate SME access to finance, creating an environment favourable to business creation and growth, encouraging an entrepreneurial culture, increasing the sustainable competitiveness of EU companies and helping small businesses operate outside their home countries and improving their access to markets. Priority will also be given to interventions designed to foster greater innovation and those that are congruent with the EU roadmap for a competitive low carbon economy.

The range of FEI intervention (all sub £2m per investment) that will be included within the scope of the framework for financial instruments; will include some or all of the following; micro loans (sub £100k), loan guarantees, seedcorn equity/mezzanine finance, development capital for start-ups, growth capital for early stage SMEs, finance for innovation, finance for low carbon and other green projects, finance for social enterprises and specific financial interventions designed to meet certain specific LEP economic development ambitions.

- ***A specification of the expected results and how the financial instrument(s) are expected to contribute to the achievement of the specific objectives and results of the relevant priority or measures and indicators.***

The X-LEP Sub Group report comprehensively explored the economic case for FEI interventions and assessed the likely outputs and deliverables of such a programme. The target objectives and results will inevitably depend upon the final (to be agreed) size and structure of the fund-of-funds and the nature and size of each sub-funds. Nonetheless the 6 WM LEP Boards have given approval to the collaborative framework proposal on the basis of the economic out justification (based upon an estimated £150m fund-of-funds) summarised below:-

Specific priorities, objectives and key performance metrics will be set out as part of the ex-ante assessment of each of the sub-funds; these will be agreed with the private sector (fund-of-funds) co-investor and implemented (under negotiation) with each of the sub-fund managers as part of the fund management procurement process.

- ***An indication of sources and size of match funding and the stage negotiations have reached;***

It is anticipated that a match of the ESIF budget contribution will be secured at the fund-of-funds level. The two sources identified for this match are an estimated contribution of £25m return from the AWM Legacy Funds (based upon a range of estimates that these funds will yield between £9m and £42m during the period concerned) and a private sector loan (most likely from the EIB) of £50m. Discussions with the British Business Bank (the UK Government Department with responsibility for safeguarding all RDA FEI legacies) and with the EIB have commenced, have been encouraging but both discussions are at an early stage.

It is furthermore intended to explore the potential for additional private sector match at each of the sub-funds level. Whilst no specific negotiations have yet started on this subject matter it is anticipated that a WM fund-of-funds will achieve an overall level of private sector leverage comparable to that of similar JEREMIE programmes operated by our comparable industrial neighbours.

- ***Identification of sources of funding for establishment costs and ongoing management costs (NB: some establishment and management costs may be eligible and could be included within the individual European Regional Development Fund application, payable upon project approval – this should be discussed with local DCLG contacts within the Local European Structural and Investment Funds teams when developing proposals); and***

A preliminary financial model for the X-LEP collaboration framework has been developed and it is anticipated that this model will be further refined in negotiation with representatives of co-investment partners and as the final details of sub-funds are defined. The X-LEP collaborative proposal and its financial model sets-out a preliminary estimate of establishment and ongoing management costs. It is anticipated that these costs will be eligible and that they will be partially funded by the initial cash deposits yielded by the RDA (AWM) Legacy Funds (these cash deposits presently stand at circa £9m).

- ***The proposed delivery timeline - Fund of Funds (JEREMIE) Type Approach***

Subject to the amount of the collective ESI Funds budget contribution of the 6 LEPs not being less than £50m it has also been agreed in principle that the West Midland wide collaborative framework will be operated under the EU JEREMIE (Joint European Resources for Micro to Medium Enterprises) programme.

Advice and guidance (including the input of all of the existing JEREMIE fund managers) has been sought on the timeline for the development of this programme and it is presently anticipated that it will take around 12 months to complete the steps necessary to launch the programme. It is therefore anticipated that the sub-funds will be operational by Q1 2015.

The West Midland framework for collaboration on FEI is presently being progressed by the WM Cross LEP Access to Finance Sub-Group. In due course it is the intention of the WLEP to nominate a representative to the board of directors of the fund-of-funds holding company. That board will appoint a Chairperson and commission a team of officers (or 3rd parties) to undertake various steps including the following:-

- further develop the fund-of-funds financial model

- approach the British Business Bank to seek to secure the right to reinvest the returns from the AWM legacy funds for inclusion in the fund-of-funds;
- undertake a due-diligence of the AWM legacy funds to determine ownership risks (if any) and to agree the optimum approach to the repatriation of the returns from these funds;
- approach potential private sector investors (including but not limited to the EIB) to engage them in a discussion concerning their participation at the fund-of-funds level;
- seek EU and UK Government approval of the FEI plans and financial model (including an ex-anti and/or state aid assessment where required);
- manage the procurement (through open and competitive tender) of the Fund of Funds management roles;
- manage the procurement (through open and competitive tender) of the Fund Managers to be appointed to manage each of the funds; and
- establish a robust and appropriate governance structure to monitor and manage the performance of the fund managers throughout the duration of the programme; including one that will meet EU/UK Government reporting requirements and seek to minimise risk of default in loan repayments and any potential clawback liability.

WLEP Notional Allocation for FEI

The WLEP intends to allocate £5.6 million of their national ESIF allocation to the West Midland wide collaborative framework for financial instruments.

Geographic/Regional Collaboration on FEI

It is the intention of the WLEP to collaborate on FEI interventions with the following LEPs:

- Black Country LEP
- Coventry & Warwick LEP
- Greater Birmingham & Solihull LEP
- Marches LEP
- Stoke-on-Trent & Staffordshire LEP.

Appendix I – WLEP and GBSLEP North Worcestershire Protocol

With the North Worcestershire area (comprising Bromsgrove, Redditch and Wyre Forest districts) being part of both the WLEP and the Greater Birmingham and Solihull LEP areas, collaboration across the two LEPs is fundamental in ensuring the effective and efficient investment in the overlapping area. Both LEPs have complementary offers and the common aim is to reinforce each LEP's ambitions as well as establish maximum advantage for local businesses.

Working Together

The WLEP and Greater Birmingham and Solihull LEP have forged a mutually constructive working relationship since their inception where Chairs, Board Members and Executive Officers exchange views and participate in respective workshops and Sub Groups on a regular basis. North Worcestershire is represented on both LEP Boards, as well as through officer level involvement in parallel mechanisms, which have overseen the development and delivery of both SEP and ESI Fund Strategies. This arrangement has already proved invaluable in supporting initiatives of joint interest such as aligning co-funding through Growing Places to support the Hoobrook Link Road Scheme in the Wyre Forest District Council area which opens up significant employment and housing land opportunities.

The primary concern of both LEPs is to stimulate economic growth and create jobs. In doing this, they recognise that businesses must be able to access prompt, assured and consistent support services, help and advice whichever sign posted route they pursue. It is the confirmed intention of both LEPs that the operating landscape for businesses is simple, co-ordinated and effective and responsive and there is a mutual LEP commitment in delivering results and achieving real impacts to meet business needs.

Both LEPs have established excellent engagement with business networks and representative organisations across the private sector in Worcestershire. It is also significant that both Birmingham Chamber of Commerce and Herefordshire and Worcestershire Chamber of Commerce have established a formal agreement and are working together collaboratively alongside both LEPs which means that private sector interests are represented in a consolidated way.

A Protocol Agreement has been developed and agreed by both LEPs as illustrated below. It will join up common programmes and initiatives to strengthen business and job opportunities as well as respecting unique LEP offers which would meet diverse needs in specific localities in either LEP. The agreement will also ensure that there will be neither duplication nor gaps in services and offers by both LEPs' activities. The agreement provides a robust framework within which barriers to growth will be removed, innovations nurtured and mutually beneficial outcomes realised which is testament to our good working relationship. The formal agreement will be countersigned by both LEP Chairs following final approval by GBS LEP and WLEP Boards either at their next meeting or virtually.

Protocol Agreement Aim: WLEP and GBSLEP working together to achieve economic growth

and job creation in North Worcestershire
Protocol Principles: The framework for respective LEP commitments to North Worcestershire are based on the following principles: • co-ordinating strategic ambitions, sectoral and delivery priorities where possible; • synchronising business support by aligning LEPs' local programmes and services to provide consistent responses and delivery to businesses as much as practically possible; • working jointly through local business engagement mechanisms with North Worcestershire; • joint liaison with government on initiatives of mutual interest; • agreeing the most appropriate mechanisms for preparing funding bids; • agreeing respective "LEP leads, LEP Support" roles for common programmes; • as each LEP's separate negotiations with the major National Opt-In Programmes are confirmed, establishing alignment, co-ordinated and consistent support and signposting where possible; • managing resources and programmes to maximum mutual effect; • where there is commonality across the LEPs, agreeing a consistent programme and project development appraisal process and criteria for ESI, government or local funding purposes; and • agreeing an appropriate performance management system which incorporates efficient monitoring, review and reporting of programme and project delivery to both LEP Boards
Working Mechanisms: • A joint GBSLEP -WLEP Panel which will meet three times annually or as/when significant issues arise requiring joint resolution • Joint Panel to comprise two nominated LEP Board representatives and Executive Director from each LEP, ideally one from the private sector and one from the public sector • Continuous liaison between both LEPs will be maintained through both Executive Teams • Depending on agenda items to be subject of Panel discussion, LEB Board representatives will be invited to contribute specialist knowledge and LEP intelligence I.e. chairs of respective Place Sub Groups if considering development sites or infrastructure schemes • Panel will submit joint reports to respective LEP Boards on Panel meeting outcomes, programme/project updates as well as performance management culminating in an annual review of progress and a forward look to the next year • Panel will escalate any substantive issues of non-agreement to respective LEP Chairs via both Executive Teams in the first instance and ultimately respective LEP boards • Panel will recommend joint decisions on programmes, projects, funding or issues arising to both LEP Boards for formal approval • Panel will use the North Worcestershire Economic Development & Regeneration

(NWEDR) Portfolio Holders, service and North Worcestershire Business Leaders mechanisms as channels for wider consultation with local businesses, interests and organisation

- Panel will require the support of the NWEDR service to co-ordinate the delivery of joint priority objectives, programmes and projects to ensure effective use of combined resources, impacts and outcomes as well as avoiding duplication
- Panel will nominate one LEP to lead a common programme theme on behalf of both LEPs where appropriate i.e. first confirmed arrangement will be WLEP (as well as Stoke and Staffordshire LEP) managing the GBS LEP EAFRD funds (£1.14m) in a tri-partite alliance delivering projects which fulfil respective SEP strategic objectives and rural priorities and align fully with WLEP and SS LEP EAFRD funding

Appendix J – Output Unit Costs

In the tables below we present the public sector unit costs (ERDF/ESF and public match funding) for each of the output indicators. We also set out the rationale for the estimated output unit costs, including references to national and local benchmarks. It is, however, important to treat these benchmarks with caution. For example, the benchmarks relate to projects and thus may not be fully reflective of the overall scope of the programme activities (which may include several different projects). Moreover, benchmarks have been calculated on the full project cost even if the projects are delivering multiple outputs. As such, the unit costs will differ hugely depending on the relative focus placed by the project on each indicator or sub-indicator. So, whilst the benchmarks provide a useful starting point or guide to determine value for money, it would not be sensible to apply these benchmarks directly to the output figures.

Table J1: ERDF

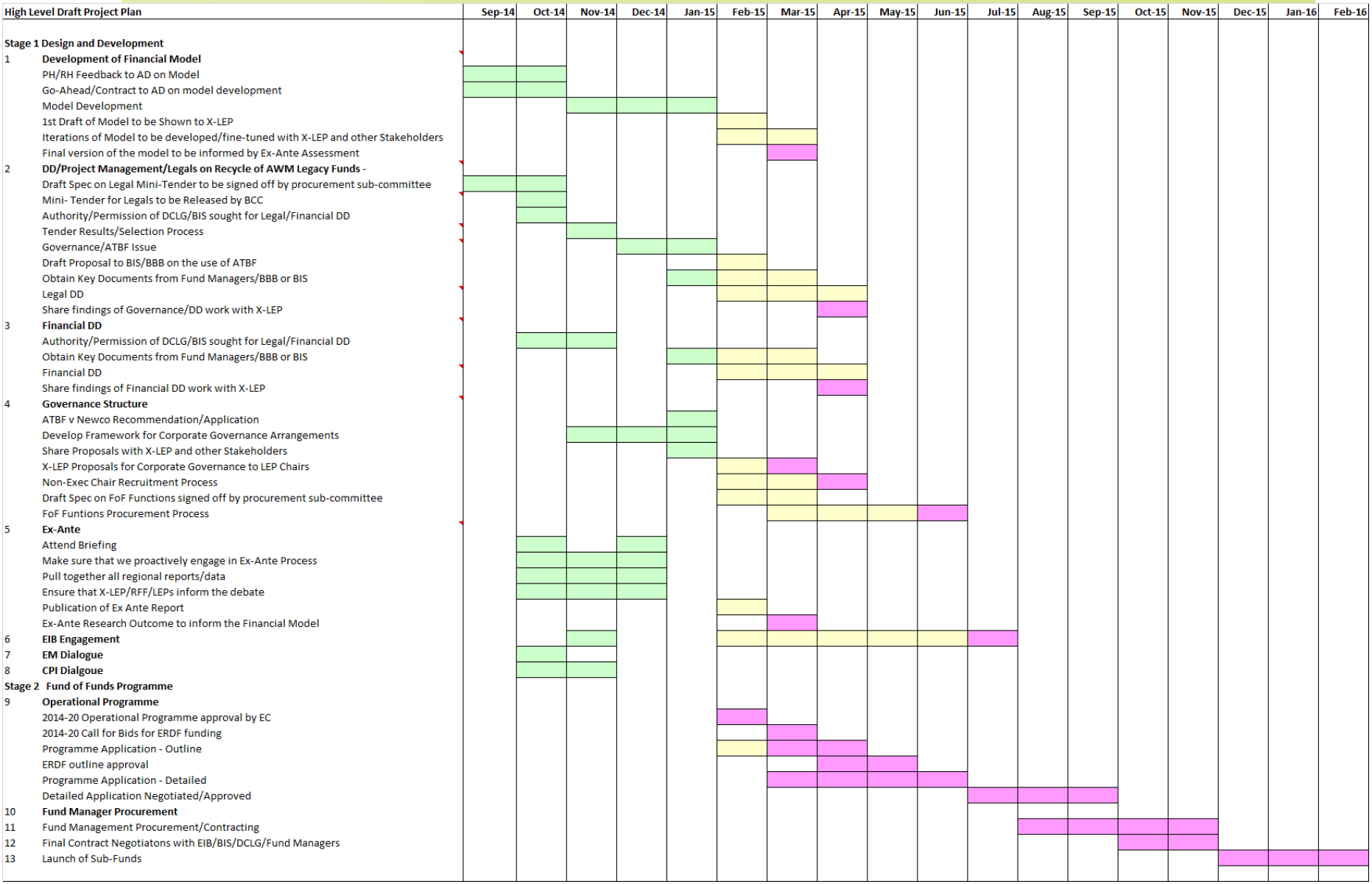
Programme activity	No. Ents Supported	No. New Ents Supp	No. jobs created	No. Ents Coop Resrch	No. Ents New Mark	No. Ents New Prods	No. Ents Using ICT	Ents Private Match	Est. GHG reduction	No. Ents Res Effic	Site Development
Worcestershire Entrepreneurship and Business Growth Programme	£8,366	£17,223	£27,542					0.5:1			
	Rationale: This will include a combination of low intensity and more intensive support. CLG endorsed benchmarks in respect of enterprises supported range from £2,500-4,700 for low intensity support and £10,000 for more intensive support. The CLG endorsed benchmarks in relation to jobs created range from £11,500 (low intensity) to £26,000 (intensive support). Local benchmarks include the existing Enterprising Worcestershire programme which includes the following outputs - No people assisted to start a business (£3,985); and No of gross jobs created (£12,002).										
Worcestershire Finance for Business Programme	£91,399	£179,849	£17,478					3.0:1			
	Rationale: The outputs for this programme activity are based on the Blue Sky report. CLG acknowledges that higher unit costs than those presented for business support can be used for loans and equity finance. Local benchmarks include the existing WS Loan Fund, which is estimated to support 130 gross jobs and 50 enterprises, representing unit costs of £23,639 per gross job created and £61,460 per enterprise supported.										
Worcestershire Innovation and Research Programme	£18,640		£29,824	£22,941	£33,138	£24,853		0.3:1			
	Rationale: CLG endorsed benchmarks for enterprises cooperating with research institutions range from £11,000 to £38,000 for more intensive projects involving fewer SMEs. Higher unit costs may be appropriate for projects which include a capital element or repayable finance. Benchmarks in relation to enterprises supported to introduce “new to firm” and “new to market” products range from £10,000-£28,000. Local benchmarks include the existing Stimulating Innovation and Growth project (£5,624 per enterprise supported and £18,747 per enterprise cooperating with research institutions) and Proof of Concept project (£55,248 per gross job created and £35,911 per enterprise cooperating with research institutions.										
Worcestershire Optimising Business ICT and Broadband	£10,306		£51,528		£51,528	£51,528	£12,367	0.3:1			
	Rationale: This programme activity focuses primarily on productivity improvements, which explains the relatively high unit cost per gross job created. The unit cost per enterprise supported in a recent local project application for optimising business broadband was £6,342.										

Programme activity	No. Ents Supported	No. New Ents Supp	No. jobs created	No. Ents Coop Resrch	No. Ents New Mark	No. Ents New Prods	No. Ents Using ICT	Ents Private Match	Est. GHG reduction	No. Ents Res Effic	Site Development
Programme											
Worcestershire Sustainable Places and Sites Programme	£50,203							0.4:1			£1,255,083
	Rationale: CLG endorsed benchmarks site development range from £1 million to £3 million per hectare. The Green Investment Bank estimates that its investment programme will lead to a CO2 reduction of 2.4kg per £GIB invested. This equates to £417 per tonnes of CO2. Local benchmarks include the existing Worcestershire Resource and Efficiency Programme - £6,325 per enterprise supported and £562 per CO2 reduction (tonnes).										
Worcestershire Low Carbon and Resource Efficiency Programme	£13,110	£26,219	£26,219					0.3:1	£4,944	£26,219	
	Rationale: See above.										

Table J2: ESF

Programme activity	No. of participants	No. of unemployed	No. of inactive	No. of employed	No. of aged 15-24
Worcestershire Skills for Growth Programme	£1,944	£4,463	£7,434	£6,422	£7,186
	Rationale: The Education Funding Agency estimates the cost for disengaged 16-17 year olds as up to £2,200 per person.				
DWP	£1,800	£4,076	£4,076	£15,431	£4,910
	Rationale: In terms of support to families with multiple problems a unit cost of £1,300 is recommended as the starting point. DWP has also provided unit costs for the Work Programme, which range from £400-600 for the initial attachment fee to £3,285-£13,720 (maximum) for those where the job outcome is sustained.				
Skills Funding Agency	£1,762	£4,406	£4,806	£7,552	£7,049
	Rationale: The Skills Funding Agency provided details of funding rates for different types of provision in the annex to their opt-in prospectus. These funding rates range from £1,500 (maximum) for skills support to unemployed and those at risk of redundancy to £2,128 (average) for 14-19 NEET support. The funding rates for workforce skills support and workplace learning are estimated at £1,800 (average) and £1,850 (maximum).				
Worcestershire Social Inclusion and Employment Programme	£1,423	£3,244	£4,415	£6,460	£4,330
	Rationale: The cost per participant in existing local projects within the social inclusion field is estimated at around £2,000. For example, the estimated cost per participant in a current NEET prevention/re-engagement project is £2,129.				
Big Lottery Fund	£1,843	£3,791	£4,021	£33,172	£8,293
	Rationale: Indicative at this stage. To be discussed with the Big Lottery Fund as part of the negotiations.				

Appendix K – Fund-of-funds Action Plan/Timetable



To be completed

Completed

Critical Path